



'Up and down': Genoese financiers and their relational capital in the early reign of Philip II

Alberto Sánchez Camacho

Thesis submitted for assessment with a view to
obtaining the degree of Doctor of History and Civilization
of the European University Institute

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Department of History and Civilization

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Examining Board

Prof. Regina Grafe, European University Institute (supervisor)

Prof. Luca Molà, University of Warwick (second reader)

Prof. Carmen Sanz Ayán, Universidad Complutense de Madrid

Prof. Manuel Herrero Sánchez, Universidad Pablo de Olavide

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Abstract:

This doctoral thesis analyses the process of state construction in the early modern period from a joint perspective that amalgamates the agencies of state officials, lending communities, and local elites in the Hispanic Monarchy during the four initial years of Philip II's reign. The project examines the convergence of private agendas inside and outside the royal administration, which were channelled by the Genoese lending community to overcome the consolidation of royal short-term debt in 1557 and its consequences. The application of an institutional approach, based on the works of Avner Greif, to the analysis of the social organisations that prevented a failure of coordination in the Hispanic Monarchy offers a fresh perspective on a topic normally assessed under predatory models. The specific study of two Genoese lenders who contributed to the establishment of a more viable and efficient financial system in the monarchy, Costantin Gentil and Nicolao de Grimaldo, provides details about how interregional transactions and local economies contributed to the consolidation of the early modern state.

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Notes on currencies:

This work aims to be reader friendly, which means that all sums of money have been converted into Castilian ducats of 375 maravedis each where possible. In the period studied in this thesis, ducats and maravedis were accounting currencies, which means that they were mostly used in the accountants' books to handle large figures. From 1537, the golden escudo was minted and gradually replaced the ducat in Castile, which used to be a hard currency. The silver coin was the *real*, which had different values depending on the weight and quality of the metal. One ducat was worth 11 *reales*, while the Castilian escudo was worth 10 *reales* or 340 maravedis. From Chapter 3 onwards, the reader will also encounter the Genoese golden escudos, the value of which depended on the money market.¹

¹ Further information of the currencies in Castile see Henry Kamen, *Spain, 1469-1714: A Society of Conflict*, 3rd ed (Harlow, England; New York: Pearson/Longman, 2005), 14.

Abbreviations:

AGS: Archivo General de Simancas.

CCA: Cámara de Castilla.

CCG: Contadurías Generales.

CJH: Consejo y Juntas de Hacienda.

CMC: Contaduría Mayor de
Cuentas.

CME: Contaduría de Mercedes.

DIV: Diversos.

DGT: Dirección General del Tesoro.

EMR: Escribanía Mayor de Rentas.

EST: Secretaría de Estado.

Inv.: inventario (inventory).

Leg.: legajo (bundle of documents).

AHN: Archivo Histórico Nacional (Madrid).

AHNT: Archivo Histórico Nacional de
Toledo (Sección Nobleza).

AMB: Archivo Municipal de Burgos

AN: Archivo Naldini (Florence).

ARAH: Archivo de la Real Academia de la
Historia.

ARCV: Archivo de la Real Chancillería de
Valladolid.

ASF: Archivio di Stato di Firenze

MP: Mediceo del Principato.

SRP: Scrittoio delle Regie
Possessioni.

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Introduction

‘Gli Assenti di Spagna sono le maggior Negotiatione de Cambii, che segua nella Cristianità, facendosi di partite grandissime, e de milioni de scuti più, ò meno, secondo i bisogni, c’ha quella Corona di far provisioni de danari’²

Financial services and the Hispanic Monarchy: a short review

The opening quote of this thesis was written in 1638 by the Genoese economist Giovanni Domenico Peri in *Il negoziante*. The paragraph, which was part of an early modern textbook on the basic knowledge that prospective financiers and merchants should have learned by the time they were introduced to actual business, stressed two points. First, Spain was an immense marketplace where businessmen could benefit from the large operations of *cambii* called *assenti*, which Peri defined as the *traffico de denari* (circulation of money) and *accordi* (agreements) respectively.³ Second, the importance of those transactions could vary since they depended on the need of the monarch for money.⁴ In this sense, the Genoese economist referred to a huge and dynamic credit market in which the sovereign was the main contracting party of these financial services, which involved the transfer of money from one place to another and the exchange of currency.

When Peri wrote this text, he also analysed the ongoing financial situation at that time. The economist emphasised that Genoese businessmen, who used to reside at the royal court in Madrid, had always been the financial service providers of the Spanish monarchs. Their theoretical monopoly of *asientos*, which is the Castilian word employed in this thesis, was being contested by Portuguese financiers when the work was published. Peri argued, however, that the newcomers had little chance of displacing the Genoese community since the former did not have enough *aderenze* (influence) in the

² Giovanni Domenico Peri, *Il Negoziante*, vol. 1 (Genova: Stampa di Pier Giovanni Calenzano, 1638), chap. XVII, p. 134.

³ On the definition of ‘cambio’ see *ibid.*, vol. 1, chap. XVIII, p. 145.

⁴ Peri made a distinction between ordinary and extraordinary *asientos* in which the former were arranged each January to fund the military operations of the year, while the latter responded to unexpected needs. Although the royal administration arranged *asientos* for all the territories of the monarchy, Flanders consumed four million escudos at least, which was far more than the operations issued for other territories. See *ibid.*, 1:135; the French invasion of the Habsburg Low Countries in 1635, during the Thirty Years’ War, explains the need for huge financial services. See Geoffrey Parker, ed., *The Thirty Years War*, 2nd ed. (Routledge, 1997), 133–34.

main financial markets of Europe. The Genoese thinker was not mistaken, as the Portuguese lending community had gained ground on Genoese financiers since the beginning of the seventeenth century, especially after the consolidation of royal debt and the royal pardon of their community in January and June of 1627 respectively.⁵

The might of the Genoese lending community in the finances of the Hispanic sovereigns that Peri claimed in 1638 was the result of combining the Genoese strategy of diversifying risks and the enhancement of the bills of exchange in circulation, which eliminated the need to transport physical currency throughout Europe.⁶ In this sense, the Genoese improved the interconnections within a territorially dispersed Hispanic Monarchy by servicing liquidity in distant spaces at short notice thanks to their system of mutual trust. This shift in financial practices also coincided with the progressive retirement of the heads of the main South German lending houses.⁷ This process is reflected in the classic debate about the substitution of one lending community for another, from Ehrenberg's 'century of the Fugger' to Ruiz Martín's 'century of the Genoese'.⁸ However, our knowledge about the lending communities that funded the Hispanic Monarchy in the early modern period has evolved since that debate started.⁹

The last decade the literature has mostly focused on the evolution of lending communities in the seventeenth century, especially in relation to the financial decline of the monarchy in the seventeenth century. Some of the conclusions extracted from

⁵ On the expansion of Portuguese lending houses see Carmen Sanz Ayán, *Los banqueros y la crisis de la Monarquía Hispánica de 1640* (Ediciones de Historia, 2013), 122–24; Carlos Álvarez Nogal, *El crédito de la monarquía hispánica en el reinado de Felipe IV* (Junta de Castilla y León, 1997), 181–84; James C. Boyajian, *Portuguese Bankers at the Court of Spain, 1626-1650* (Rutgers University Press, 1983); Felipe Ruiz Martín, *La Banca En España Hasta 1782: Una Historia Económica* (Banco de España, 1970), 119–22.

⁶ Fernand Braudel, *The Wheels of Commerce*, (1st English translation of 'Les Jeux de l'Échange', first published in 1979), vol. 2, *Civilization and Capitalism, 15th-18th Century* (University of California Press, 1992), 390–95.

⁷ More details on these differences in Hermann Kellenbenz, *Los Fugger en España y Portugal hasta 1560*, *Estudios de historia* (Valladolid: Junta de Castilla y León, Consejería de Educación y Cultura, 2000), 615.

⁸ Richard Ehrenberg, *Capital & Finance in the Age of the Renaissance; a Study of the Fuggers and Their Connections* (first published in German in 1896 as *Das Zeitalter Der Fugger*) (New York: A.M. Kelley, 1963). Although Frank C. Spooner coined the expression of 'the century of the Genoese', it was Felipe Ruiz Martín who established chronological boundaries to the Genoese financial predominance between 1528 and 1680. See Frank Clyffurde Spooner, *L'économie mondiale et les frappes monétaires en France, 1493-1680* (Paris: Armand Colin, 1956); Felipe Ruiz Martín, *La Banca En España Hasta 1782: Una Historia Económica* (Banco de España, 1970).

⁹ An excellent historiographical review, which inspired the following brief analysis of the literature, in José Miguel Escribano Páez and Alejandro García Montón, 'De gobernantes y deudas. Una década de producción historiográfica sobre la Castilla de los Austrias', *Cuadernos de Historia Moderna* 42, no. 2 (2017): 397–408.

those studies are also applicable to the previous century.¹⁰ Information was always an asset, especially for the Genoese lending community, in reducing transaction costs.¹¹ Notwithstanding sharing information, lenders also competed and cooperated with one another through bonds of kinship or matrimonial alliances.¹² Nevertheless, there is still little detailed information about how those lenders managed to fulfil their *asientos* with the royal administration.¹³ The fact that they were appointed to high-ranking positions at the royal court in the seventeenth century reflects the peak of their apogee, but further research in this field is still necessary.¹⁴

The reimbursement of the financial services of private lenders has also drawn the attention of scholars, especially regarding the issuance of bonds of long-term royal debt called *juros*.¹⁵ The study of this financial instrument has received renewed interest in recent years through the analysis of how its attractiveness to prospective bondholders during periods of financial changes diminished its value.¹⁶ This literature, nonetheless,

¹⁰ Sanz Ayán, *Los banqueros y la crisis de la Monarquía Hispánica de 1640*; Alberto Marcos Martín, 'Deuda pública, mercado crediticio y actividad económica en la Castilla del siglo XVII', *Hispania: Revista española de historia* 73, no. 243 (2013): 133–60; Carlos Álvarez Nogal, 'Los genoveses y la incautación del interés de los juros de Castilla en 1634', ed. Manuel Herrero Sánchez et al. (Génova y la monarquía hispánica (1528-1713), Società Ligure di Storia Patria, 2011), 775–800.

¹¹ The importance of information was already stressed by Doria in Giorgio Doria, 'Conoscenza del mercato e sistema informativo: il know-how dei mercanti finanziari genovesi nei secoli XVI e XVII.', ed. Aldo De Maddalena and Hermann Kellenbenz, *La repubblica internazionale del denaro tra 15. e 17. secolo*, 1986; Yasmina Ben Youssef Garfia, 'A Genoese Merchant and Banker in the Kingdom of Naples: Ottavio Serra and His Business Network in the Spanish Polycentric System, c.1590–1620', *European Review of History: Revue Européenne d'histoire*, Abril 2016, 1–33; Carlos Álvarez Nogal, Claudio Marsilio, and Luca Lo Basso, 'La rete finanziaria della famiglia Spinola: Spagna, Genova e le fiere dei cambi (1610-1656)', *Quaderni storici* 42, no. 124 (2007): 97–110.

¹² Ana Sofía Vieira Ribeiro, *Early Modern Trading Networks in Europe: Cooperation and the Case of Simon Ruiz*, Perspectives in Economic and Social History 39 (Abingdon, Oxon; New York, NY: Routledge, Taylor & Francis Group, 2016); Carmen Sanz Ayán, 'Los Cortizos. Un Clan Financiero de Origen Judeoconverso', in *Estado, Monarquía y Finanzas. Estudios de Historia Financiera En Tiempos de Los Austrias* (Centro de Estudios Políticos y Constitucionales, 2004), 185–210.

¹³ A couple of exceptions in Carlos Álvarez Nogal, 'Banqueros Alemanes de Felipe IV: Los Fugger Jóvenes y Julio César Scazuola (1618-1641)', *Studia Historica. Historia Moderna* 39, no. 1 (2017): 265–99; Mauricio Drelichman and Hans-Joachim Voth, *Lending to the Borrower from Hell: Debt, Taxes, and Default in the Age of Philip II*, The Princeton Economic History of the Western World (Princeton: Princeton University Press, 2014).

¹⁴ Carmen Sanz Ayán, *Un banquero en el Siglo de Oro: Octavio Centurión, el financiero de los Austrias* (Madrid: La esfera de los libros, 2015).

¹⁵ For a classic introduction see Álvaro Castillo Pintado, 'Los Juros de Castilla. Apogeo y Fin de Un Instrumento de Crédito', *Hispania: Revista Española de Historia*, no. 89 (1963): 43–70.

¹⁶ Alberto Marcos Martín, '"Crecimientos, reducciones y no cabimientos de juros". Tres episodios de gestión irresponsable de la deuda pública consolidada en la España del siglo XVII', *Cuadernos de Historia Moderna* 42, no. 2 (2017): 553–84; Carlos Javier de Carlos Morales, 'Los juros y el endeudamiento de la Real Hacienda de Castilla, 1557-1627' (Historia de la deuda pública en España: (siglos XVI-XXI), Madrid: Instituto de Estudios Fiscales, 2015), 37–66; Carlos Álvarez Nogal, 'La rentabilidad de los juros de Castilla

tends to apply a quantitative long-term approach, leaving an important qualitative field barely explored and which this thesis intends to rectify.¹⁷

Apart from the issuance of long-term debt, financial services were backed by royal incomes guaranteed by representative institutions.¹⁸ This historiographical field has provided important works on the continuous negotiation between the central authority of the monarchy and the effective power of cities to mobilise resources.¹⁹ The fiscal system, which was largely in the hands of local elites, also posed an income ceiling on the monarchs that limited their ability to keep borrowing.²⁰ When representative institutions did not agree with the sovereign to increase the limits on the fiscal burden and thus raise more debt, financial shocks in the form of debt consolidation took place.²¹ New studies are delving into the multiple causes for this outcome, while scholars simultaneously emphasise the flexibility of the royal administration and private financiers to adapt to the new scenario.²² In this sense, there are still unresolved issues

en el siglo XVII', in *Historia de la deuda pública en España: (siglos XVI-XXI)*, 2015, 85–110; Domínguez Ortiz, Antonio, 'Juros y Censos En Castilla Del Seiscientos: Una Sociedad de Rentistas', in *Dinero, Moneda y Crédito En La Monarquía Hispánica* (Marcial Pons : Fundación ICO, 2000), 789–806.

¹⁷ An exception in Carlos Álvarez Nogal, 'Oferta y Demanda de Deuda Pública En Castilla: Juros de Alcabalas (1540-1740)', *Universidad Carlos III de Madrid*, 2009.

¹⁸ Although the volume of literature on this issue is large, it is worth mentioning the main classic studies. See Ramón Carande Thovar, *Carlos V y sus banqueros.*, vol. 2: La Hacienda Real de Castilla, 3 vols (Barcelona: Crítica, 1987, first published in 1949); Antonio Domínguez Ortiz, *Política y hacienda de Felipe IV.* (Madrid: Editorial de Derecho Financiero, 1960); Modesto Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 3rd edition (first published in 1963) (Madrid: Fundación Universitaria Española, Seminario Cisneros, 1986).

¹⁹ Manuel Herrero Sánchez, 'El Modelo Republicano En Una Monarquía de Ciudades', in *Soulèvements, Révoltes, Révolutions: Dans l'empire Des Habsbourg d'Espagne, XVIe-XVIIe Siècle*, ed. Alain Hugon and Alexandra Merle, Collection de La Casa de Velázquez (Madrid: Casa de Velázquez, 2017), 245–66; Regina Grafe, *Distant Tyranny: Markets, Power, and Backwardness in Spain, 1650-1800* (Princeton: Princeton University Press, 2012), 243; José Ignacio Fortea Pérez, *Las Cortes de Castilla y León bajo los Austrias: una interpretación* (Valladolid: Junta de Castilla y León, 2008); David Alonso García, *El erario del reino: fiscalidad en Castilla a principios de la Edad Moderna, 1504-1525*, Estudios de historia (Valladolid: Junta de Castilla y León, Consejería de Cultura y Turismo, 2007); Juan Manuel Carretero Zamora, *Cortes, monarquía, ciudades: las Cortes de Castilla a comienzos de la época moderna (1475-1515)*, 1988.

²⁰ José Ignacio Andrés Ucendo, 'Una Hacienda permanentemente endeudada: Impuestos y deuda pública en la Castilla del siglo XVII', 2015, 67–84; Carlos Álvarez Nogal and Christophe Chamley, 'Debt Policy under Constraints: Philip II, the Cortes, and Genoese Bankers', *Economic History Review* 67, no. 1 (February 2014): 192–213; Juan Manuel Carretero Zamora, 'Liquidez, deuda y obtención de recursos extraordinarios (en torno a los servicios de Cortes en época de Carlos V)', in *Carlos V y la quiebra del humanismo político en Europa (1530-1558)* (Sociedad Estatal para la Conmemoración de los Centenarios de Felipe II y Carlos V, 2001), 443–62.

²¹ A historiographical review in Carlos Javier de Carlos Morales, 'Endeudamiento dinástico y crisis financieras en tiempo de los Austrias: las suspensiones de pagos de 1557-1627', *Libros de la Corte.es*, no. 7 (2013): 59–128.

²² Escribano Páez and García Montón, 'De gobernantes y deudas. Una década de producción historiográfica sobre la Castilla de los Austrias', 373; Carlos Javier de Carlos Morales, *El Precio Del Dinero*

that need elucidating regarding certain aspects of the financial system of the Hispanic Monarchy that involve all the above-mentioned topics.

Research questions:

The first research question that this thesis addresses is the problem of trust after financial shocks. Although episodes of debt consolidation in the Hispanic Monarchy were repetitive, even cyclical, the royal administration and its financial intermediaries kept attempting to draw the attention of prospective investors to invest in bonds of royal long-term debt. In this sense, trust was a transversal element present at every bilateral level of the pyramidal system of lending: sovereign-brokers, brokers-savers, and sovereign-savers. However, trust could also involve more than one level. An investor, for example, knew that their savings were being forwarded to fund royal debt through the intermediation of a broker. In that case, the investor had to rely on the royal administration to pay off the interest, on the one hand, and the broker to find a reliable debt bond in the long term, on the other. Some scholars have already addressed this question, but they used to employ an economics-based approach rather than an institutional one and focused mostly on the relationship between borrower and lender than on the entire system as a whole.²³ This thesis intends to fill that void and answer the questions of how trust was developed in formal and informal institutions, and what the results of that relationship were.

The second research question of this thesis deals with is the behaviour of the clients of the lending communities in the early modern period. Were they passive or active actors in the debt market? Did bondholders change their behaviour when financial conditions changed? The literature about early modern bondholders is scarce and not able to cover important scenarios such as financial shocks.²⁴ This thesis aims at providing some insights on this topic to discover if clients were something more than

Dinástico: Endeudamiento y Crisis Financieras En La España de Los Austrias, 1557-1647. Vol. 1 (Banco de España, 2016); Drelichman and Voth, *Lending to the Borrower from Hell*; Carlos Álvarez Nogal and Christophe Chamley, 'La Crisis Financiera de Castilla En 1575-1577: Fiscalidad y Estrategia', *Revista de Historia de La Economía y de La Empresa* 7 (2013): 187–215; Carlos Javier de Carlos Morales, *Felipe II: El Imperio En Bancarrota: La Hacienda Real de Castilla y Los Negocios Financieros Del Rey Prudente* (Madrid: Universidad Carlos III de Madrid, 2008).

²³ Drelichman and Voth, *Lending to the Borrower from Hell*.

²⁴ Álvarez Nogal, 'Oferta y Demanda de Deuda Pública En Castilla'.

that. In effect, those investors could be brokers at a local level who helped lending houses to permeate spaces that the latter could not reach alone. This relation is decisive for our understanding of risk sharing strategies, since they are usually associated with high-ranking intermediaries rather than small brokers. The following pages analyse, therefore, the behaviour and tactics of local actors.

The final research question that this thesis poses is if it is possible to measure the importance of those local financial investors and brokers in the process of state consolidation. These individuals were not necessarily royal subjects or servants, though they could eventually become such during their lifetime. Instead, the main appeal of this individual, or group of individuals, lies in their indirect relationship to the royal administration, which was mediated by financiers. These brokers facilitated access to credit at a regional and local level to the Genoese (upstream flow) and provided profitable returns to their own clientele (downstream flow). By doing so, those people indirectly participated in the state articulation while helping to develop local economies and social institutions of economic assistance such as convents. In this sense, this thesis seeks to complement the literature that analyses the role of big financiers in the central administrations through an analysis of the clients who made that institutional integration possible.²⁵

Methodology and sources:

Institutional historiography inspires the analysis employed in this thesis to understand the mechanisms of credit flow and the role of brokers and investors in the consolidation of the early modern state. In this thesis, institutions are considered as “*a system of rules, beliefs, norms, and organizations that together generate a (social) behaviour*”.²⁶ According to the institutional literature, institutions can be informal and formal. Informal institutions are “*norms of conduct, historical traditions, religious precepts... often enforced by business and social groups, the church, family or private entities established explicitly to enforce codes of conduct*”. Formal institutions, by

²⁵ Anne Dubet and Jean-Philippe Luis, eds., *Les financiers et la construction de l'Etat: France, Espagne (XVIIe-XIXe siècle)*, Histoire (Rennes: Presses universitaires de Rennes, 2011).

²⁶ The definition of institution is taken from Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*, Political Economy of Institutions and Decisions (Cambridge; New York: Cambridge University Press, 2006), 30.

contrast, “are embodied in constitutions, laws, the structure of state decision making and regulations enforced by judges, courts, police, bureaucracy”.²⁷

Scholars have often pointed to organisations as main enforcers of this set of values. The American economist Douglass C. North defined organisations as “*groups of individuals bound by some common purpose to achieve objectives*” and classified them as political, economic, social, or educational bodies.²⁸ In this sense, organisations constitute institutions because they establish a set of values among its members and also determine the behaviour of individuals exogenous to their internal structure.²⁹ Since the organisations studied in this thesis were man-made, nonphysical, and enforced a certain pattern of behaviour through formal and informal mechanisms inside and outside their structure, they are considered institutions.

As a result of this conceptual clarification, some of the organisations analysed in this thesis are classified as formal and informal institutions. For example, the *Factoría General* examined in the second chapter is considered a formal institution because the behaviour of its members responded to their instructions, legal documents that regulated their jobs and were issued by the highest authority in the Hispanic Monarchy. In the fourth and fifth chapters, however, two Genoese lending groups are examined. These business organisations are considered informal institutions because their behaviour obeyed patterns of conduct based on reputation and self-coercion. In this case, no state regulated the behaviour of these lenders, which reflects their private character.

This division between formal and informal institutions is essential to understanding the purpose of this work because the Genoese lending community is the main subject of study. This informal institution used to offer financial services to the Hispanic Monarchy through a system of syndicated lending based on trust and solvency before fellow financiers and creditors. Solvency, understood as the ability to create new sources of income, is an idea still barely explored in the micro level relationship between

²⁷ Philip Keefer and Mary M. Shirley, ‘Formal versus Informal Institutions in Economic Development’, in *Institutions, Contracts and Organizations: Perspectives from New Institutional Economics*, ed. Claude Ménard (Edward Elgar Publishing, 2000), 96.

²⁸ Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge University Press, 1990), 5.

²⁹ Greif, *Institutions and the Path to the Modern Economy*, 31.

lender and broker-client.³⁰ In order to fill this void in the literature, this thesis focuses on the tactics that Genoese lenders used to liquidate their debts with the sovereign after the debt consolidation of 1557 through the distribution of *juros al quitar* among private investors.

This sort of early modern financial leverage that Genoese lenders employed was possible thanks to their social capital, which are norms and mutual interests resulting from the creation of bonds of trust and processes of cooperation among the members of multiple social groups.³¹ This concept stress the Genoese ability to generate individual and collective benefits in the Genoese lending community, such as the reimbursement of royal debts through the sale of *juros* when the sovereign had no liquidity to service the former. A bidimensional approach to these debt transactions offers a clear vision of the many bonds of trust that were necessary for the success of the operation.

First, the examination of over a hundred sales of *juros* linked to the old royal debts represents a vertical perspective because it considers the relationship between the king, the Genoese financier, and the investor. Although every *juro* was part of a larger sale of debt titles, each one was an independent operation with a new investor every time and, therefore, a new social connection for the Genoese financiers. Nevertheless, the identification of those investors is not a straightforward process. The research needs to resort specifically to the process of reimbursement associated with the concept of *deudas viejas* (old debts), which was the money that Philip II consolidated in 1557 and intended to reimburse to his lenders through the funds raised from the sale of long-term debt. When the monarch sold *juros* to the clients of the Genoese financiers, those small capitalists were registered in official lists held by the royal administration. The examination of these registers transcends the macro scale offered by the Genoese

³⁰ Some important examples that fit in the literature on the long-term development of royal debt are Carlos Morales, *El Precio Del Dinero Dinástico*, 2016; Álvarez Nogal, 'La rentabilidad de los juros de Castilla en el siglo XVII'; Marcos Martín, 'Deuda pública, mercado crediticio y actividad económica en la Castilla del siglo XVII'; David Alonso García, 'Ducados Entre Dos Dinastías. La Circulación de Capital Entre Castilla y Flandes a Comienzos Del Siglo XVI', in *Banca, Crédito y Capital. La Monarquía Hispanica y Los Antiguos Países Bajos (1505-1700)* (Fundación Carlos Ambers, 2006), 85–104; Carlos Morales, *Felipe II*; Carmen Sanz Ayán, *Estado, monarquía y finanzas: estudios de historia financiera en tiempos de los Austrias* (Centro de Estudios Políticos y Constitucionales, 2004); Sanz Ayán, *Los banqueros y la crisis de la Monarquía Hispánica de 1640*; Carlos Álvarez Nogal, 'Los banqueros de Felipe IV y los metales preciosos americanos (1621-1665)', *Estudios de historia económica*, no. 36 (1997): 9–195.

³¹ Sebouh Aslanian, 'Social Capital, "Trust" and the Role of Networks in Julfan Trade: Informal and Semi-Formal Institutions at Work', *Journal of Global History* 1, no. 03 (November 2006): 385.

financier and creates a micro level where hundreds of investors have been recorded in a database.

Second, the horizontal dimension of the analysis observes the different profiles of each investor and how they raised enough capital to acquire *juros*. This approach, inspired by the literature about merchant companies, uses notarial protocols and private accounting records as its main source of information.³² The outcomes of this investigation establish that those investors were not low-income people. Instead, they were a wide array of wealthy civil and religious institutions, high- and low-ranking nobility, officeholders, courtiers, merchants, and other financiers. The accumulation of capital that those investors achieved to purchase the debt titles could also be the result of a lower level of the diversification of risks. These bondholders were the guardians of local liquidity, which they invested either upwards in the acquisition of royal debt or downwards to finance the economic development of their local spaces. Their participation in the Genoese upstream and downstream credit flows becomes a methodological challenge in order to establish a general profile of what kind of relationship existed between them and the Genoese financiers.

As some *juros* were acquired by the mediation of broker-investors who paid on behalf of the rightful owner, there is another methodological problem: the linkage between the Genoese, the broker-investor, and the final debt holder. This research distinguishes between two levels of case studies regarding bondholders. The first one analyses only the clients of the Genoese who directly acquired the royal debt titles. The records kept in the royal premises contain the history of each debt title and they are a rich source of personal information too. Nevertheless, this material is insufficient and quite often it is necessary to look at secondary literature to complete the identification of individuals.

This investigation has followed a top-down approach in which the institutional apparatus of the monarchy is the starting point. The main sources are held at the *Archivo General de Simancas*, which has provided two types of sources. First, the accounts of

³² An example of this approach in Catia Brilli, 'La importancia de hacerse español: la élite mercantil genovesa de Cádiz en el siglo XVIII', in *El sistema comercial español en la economía mundial (siglos XVII-XVIII): Homenaje a Jesús Aguado de los Reyes* (Servicio de Publicaciones, 2013), 225–55.

the royal treasurers, which have shown how the distribution of the *juros* granted to the Genoese financiers worked. Bundles of letters between the lenders and the royal accountants complement the gaps in these sources, which are indeed very dispersed. Second, the archive also holds copies of the *juros* as well as the original copies of those titles of debt. Those duplicates are bound to additional documents that relate part of the history of that title, such as later sales of shares, renunciations, or modifications in the interest by royal decree.

This extra information is quite useful for further investigation as it also contains powers of attorney, which were sanctioned by public notaries. The name of the notary redirects the research to local notarial archives, which allows us to focus on specific case studies of investors and their private and public life. This project has required the use of notarial protocols from the *Archivo Histórico Provincial* of Valladolid and Burgos, which have produced interesting case studies. Nevertheless, these sources are only successful for the Castilian cases, while foreign investors had to be checked in foreign archives. Some cases have led the investigation to the *Archivi di Stato* of Florence and Genoa, or the *Archivio Doria* of Genoa. The variety of investors is so large that specific case studies have also driven the research to the *Archivo Histórico Nacional* in Madrid, in addition to private archives such as the *Archivio Naldini* (Florence) or the *Archivo de los Condes de Cudillo* (Madrid).

There are, moreover, other kinds of sources that have been important for the completion of this thesis. Most of the administrative reports, either financial or political, that have been analysed were found in the *Archivo General de Simancas* in Spain. Among these documents it is worth mentioning the presence of important correspondence between the multiple royal servants that are referred to in this thesis, either high- or medium-ranking officials. The Calendar of State Papers, another source of administrative correspondence, has provided a privileged perspective from the point of view of Venetian ambassadors present at the courts of the Hispanic Monarchy, England, France, and the Papal States. Just for this part of the study, more than 1,100 letters have been read, analysed, and categorised in the timeframe of this thesis. The outcomes of this task are to be found all over this study, especially in the third chapter, because they

provide a view of the alternative projects to raise funds for Philip II that coincided over time with foreign experiments along the same lines.

Case studies: a brief introduction

This project deals with two initial subjects of study to address the three research questions: Costantin Gentil and Nicolao de Grimaldo. These two Genoese financiers shared a long-term career in the Hispanic Monarchy before the consolidation of debt in 1557. Although there were other lenders who financed Philip II in this period, Gentil and Grimaldo were particularly successful in liquidating a large part of the royal debts resulting from the first consolidation of Philip II's short-term debt. Gentil was the representative of the Centurione consortium and he represents the type of financier that continuously pursued the authority of Philip II to formally sanction the recognition of old debts after the decree. Grimaldo, by contrast, officially worked alone and followed the effective power to also obtain the reimbursement of old debts. The comparative analysis of the *asientos* and subsequent distribution of *juros* that the two financiers organised offers new insights into the integration of formal and informal institutions.

Thesis structure:

All the compiled information has shaped this doctoral thesis into three parts that cover seven chapters plus conclusions. The first part contains three chapters. The first chapter offers a historiographical review of the symbiotic relationship between the Hispanic Monarchy and the Republic of Genoa in the early modern period to contextualise the work. The second chapter analyses the origins and purpose of the *Factoría General* in the context of the debt consolidation to show the importance of medium-ranking officials in formal institutions. The third chapter examines the convergence of the fiscal strategies that high-ranking officials of different polities developed to provide alternative solutions to debt consolidation, thus emphasising the similarities between European polities in their financial strategies.

The second part contains two chapters and shows the perspectives of the two case studies in this project, Costantin Gentil and Nicolao de Grimaldo, throughout the phases of the development and stabilisation of the financial reform that the debt consolidation of 1557 triggered. More specifically, the fourth chapter analyses the

struggles of Gentil and the Centurione consortium to secure the trustworthy reimbursement of their old debts, which highlights the combination of informal and formal strategies for the enforcement of contracts. The fifth chapter examines the case study of Grimaldo and the difficulties he also faced in achieving a trustworthy repayment. In this chapter, the focus is on the intertwining of the private agendas of the royal *factor* López del Campo and Grimaldo, who were members of a formal and informal institution respectively despite both being private entrepreneurs.

The third part of the thesis contains two chapters and provides the perspective of those investors who acquired *juros al quitar* that had been issued to reimburse old debts. The sixth chapter analyses the distribution of those bonds of debt among private savers to highlight their heterogeneous profiles. Some specific examples are provided to illustrate the process of brokering and resale to third parties, besides focusing on the private agendas that moved those investors to participate. The seventh chapter, by contrast, focuses on the importance of allocating royal debt to a specific royal income to be distributed among Castilian and foreigner investors with intermediated access to the credit market. More specifically, the chapter deals with the reliability of the *nuevo derecho de lanas* to back new debt, based on the ability of Genoese financiers to support taxpayers and the private agendas of investors to enlarge their influence in urban areas.

The conclusions of this thesis offer some final remarks on the entire financial and social process analysed from the perspective of institutional integration. The goal of this final section is to emphasise that formal and informal institutions were indistinguishable in practice, and that informal institutions were essential for the economic development of large polities in the early modern period, since the central administration found the mobilisation of private resources as a too costly process in financial and social terms.

PART 1
THE CONTEXT
OF A
FINANCIAL TRANSFORMATION
(1556-1559)

Chapter 1. The symbiosis of the Hispanic Monarchy and the Genoese: a matter of finances, social ascendance, and state construction

The literature on the relation between the Hispanic Monarchy and the Republic of Genoa in the early modern centuries discusses their political and economic alliance against common enemies such as France in mainland Europe or the Ottoman Empire.³³ This partnership did not only imply a shared front in the military field but also a cooperative symbiosis based on reciprocal services and socio-economic integration. This chapter explores the historiography of this collaboration to propose an alternative theory of state-building based on the agency of non-state actors and their long-term agendas. The first part places this thesis in the historiographical debates on the emergence of the early modern state through an institutional approach. The main topics include the role of coercion and negotiation with urban elites, the contribution and efficiency of formal and informal institutions in the economic growth, and the agency of non-state actors in the formation of early modern states. The following analysis of the fiscal and financial structures of the early modern Hispanic Monarchy to explain the problems that led this huge polity to find its way together with the Republic of Genoa.

The second part develops these points further in relation to the independent evolution of the Republic of Genoa to show how this polity became an essential although not integral part of the Hispanic Monarchy. In this sense, the emphasis moves towards the role of the Genoese diaspora in the state construction through this symbiotic relationship from inside and outside the territories of the monarchy thanks to its social integration with local elites. The chapter closes by reconsidering the alleged symbiosis between these two polities in high politics to evince the existence of intermittent disagreements and emphasize the importance of values such as trust and reputation at the local level.

³³ Arturo Pacini, “‘Poiché Gli Stati Non Sono Portatili...’: Geopolitica e Strategia Nei Rapporti Tra Genova e Spagna Nel Cinquecento’, in *Génova y La Monarquía Hispánica (1528-1713)*, 2011, 413–58; Thomas Allison Kirk, *Genoa and the Sea: Policy and Power in an Early Modern Maritime Republic, 1559-1684* (Baltimore: Johns Hopkins University Press, 2005), chap. 4; Manuel Herrero Sánchez, ‘Sección Monográfica. La República de Génova y La Monarquía Hispánica (Siglos XVI-XVII)’, *Revista Hispania* 65, no. 219 (2005).

1.1. Financing the Hispanic Monarchy: a conceptual roadmap

The Hispanic Monarchy in the early modern centuries: a state in the making

The main goal of this doctoral thesis is to provide new insights into the historiographical debate about how early modern states like the Hispanic Monarchy clearly emerged from the sixteenth century. Scholars have approached this process in Europe focusing on the political organisation, economic development, or cultural exchanges of monarchies and republics.³⁴ In general terms, the concept of state can be understood as the result of human efforts to organise themselves in community. However, the characteristics to define that concept have always caused problems to academics. Political sociologists, for example, keep using the definition of state given by the German sociologist and historian Max Weber, who considered the state as the form of human community (*Gemeinschaft*) in which a specific authority exerted the monopoly of the legitimated use of physical force in a limited geographical area.³⁵ In other words, the rule of law and violence characterizes what a state should be.

The correct enforcement of law and legitimate violence to control the Weberian limited territory required the development of institutions, either informal or formal ones. The traditional institutional literature considers that informal institutions are norms of conduct, historical traditions or religious concepts usually enforced by private groups such as family, business, and the church. Formal institutions, by contrast, are legal texts like constitutions and laws and enforced by judicial and administrative officials of the state. As it has already been stated in the introduction of this doctoral thesis, the methodology employed seeks to provide empirical evidence to the

³⁴ Some of the main works, which are properly contextualised in the following pages, include Perry Anderson, *Lineages of the Absolutist State*, Verso World History Series (NLB, 1974); Richard Bonney, *The European Dynastic States, 1494-1660* (Oxford University Press, 1991); Wolfgang Reinhard, *Power Elites and State Building*, ed. European Science Foundation, *The Origins of the Modern State in Europe* (New York: Clarendon Press; Oxford University Press, 1996); Thomas Ertman, *Birth of the Leviathan: Building States and Regimes in Medieval and Early Modern Europe* (Cambridge, UK; New York: Cambridge University Press, 1997); Michael J. Braddick, *State Formation in Early Modern England, c. 1550-1700* (Cambridge [England]; New York: Cambridge University Press, 2000); Stephan R. Epstein, *Freedom and Growth: The Rise of States and Markets in Europe, 1300-1750.*, 2002; David Stasavage, *States of Credit: Size, Power, and the Development of European Polities*, Princeton Economic History of the Western World (Princeton, NJ; Woodstock: Princeton University Press, 2011).

³⁵ Tony Waters and Dagmar Waters, eds., *Weber's Rationalism and Modern Society: New Translations on Politics, Bureaucracy, and Social Stratification*. (Palgrave Macmillan, 2015), 136.

historiographical branch of this field that consider social organisations as institutions.³⁶ In this sense, early modern states were defined in territorial contestation with other communities also organised in institutions.

The development of formal and informal institutions has traditionally been linked to the state capacity to generate economic growth for a society through the reduction of transaction costs.³⁷ Transaction costs are the economic costs of arranging and enforcing contracts over time and space, which includes information resources and involves the collaboration of formal and informal institutions.³⁸ Therefore, the development of economic growth emerges when the collaboration between formal and informal institutions results in the protection of property rights from predatory practices and external threats together with the enforcement of contracts through laws and the use of legitimate coercion in the long-run.

However, early modern states were a blurred reality in which formal and informal institutions intermingled through their practices. This doctoral thesis seeks to complement recent research on the impossibility of distinguishing formal and informal institutions.³⁹ The following chapters provide some important examples for which this discussion has a particular importance, especially in the section that analyses the *Factoría General*. In this sense, this thesis is specifically framed in the historiographical current of New Institutional Economics, in which institutions are analysed in relation to their positive and negative effects on economic growth through the analysis of the behaviour of actors, especially regarding their role in transaction costs, property rights, and contract enforcement.⁴⁰

³⁶ Keefer and Shirley, 'Formal versus Informal Institutions in Economic Development', 96; Greif, *Institutions and the Path to the Modern Economy*, 37.

³⁷ North, *Institutions, Institutional Change and Economic Performance*.

³⁸ This concept was first studied by Richard Coase in the 1937 when he questioned about the existence of firms. After his work, more recent scholars have pursued a clear definition. See R. H. Coase, 'The Nature of the Firm', *Economica* 4, no. 16 (1937): 386–405; Douglass C. North, 'Institutions, Transaction Costs, and the Rise of Merchant Empires', in *The Political Economy of Merchant Empires: State Power and World Trade, 1350-1750*, ed. James D. Tracy (Cambridge: Cambridge University Press, 1997), 24; Carl J. Dahlman, 'The Problem of Externality', *The Journal of Law & Economics* 22, no. 1 (1979): 148.

³⁹ Grafe, *Distant Tyranny*.

⁴⁰ Claude Ménard and Mary M. Shirley, 'The Future of New Institutional Economics: From Early Intuitions to a New Paradigm?', *Journal of Institutional Economics* 10, no. 4 (2014): 544.

The formation of early modern states was, therefore, a consequence of the enforcement of law and coercion in a territory through the development of formal and informal institutions that motivated political, social, and economic exchanges.⁴¹ Nevertheless, the dimension of those states or economic systems has also been object of study by sociologists regarding the effectiveness of informal and formal institutions to generate economic growth. The debate was born in the 1990s and stressed that informal institutions were less effective in big markets to provide protection to property rights and reduce transaction costs than formal institutions.

Whereas scholars like North argued that informal institutions were only effective at the initial stages of development at local level because transactions were made face to face and reputation was easier to check, other academics like Greif proved the efficiency of informal institutions in larger markets through the analysis of the Maghribi community in the Middle Ages, which employed enforcing elements such as religious institutions.⁴² More recently, scholars criticize the poor protection that informal institutions provided before expropriation against private and public actors, besides of the limited access to those institutions for the participants in the market.⁴³ The final chapters of this thesis demonstrate that formal and informal institutions could work conjointly to generate a regularity of behaviours that contributed to the stability and development of the economic system in large markets, such as the early modern Hispanic Monarchy.

The protection that formal and informal institutions could provide was directly linked to their ability to exert coercion. For example, trade consists in the exchange of goods and services among people. However, people do not exchange the good itself but

⁴¹ North, *Institutions, Institutional Change and Economic Performance*, 54.

⁴² North, *Institutions, Institutional Change and Economic Performance*; Avner Greif, 'Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition', *The American Economic Review* 83, no. 3 (1993): 525–48; Greif is one of the growing number of academics who focus simultaneously on the two schools of thought in the New Institutional Economics through the study of property rights and contracts at the firm level together with a broader institutional perspective and the role of the state. See Claude Ménard and Mary M. Shirley, 'The Contribution of Douglass North to New Institutional Economics', in *Institutions, Property Rights, and Economic Growth: The Legacy of Douglass North*, ed. Itai Sened and Sebastian Galiani (Cambridge: Cambridge University Press, 2014), 11–29.

⁴³ Keefer and Shirley, 'Formal versus Informal Institutions in Economic Development', 97.

the right to own it in property.⁴⁴ The defence of property rights has always been costly, especially in wartime. This cost is the main cause to delegate that protection to organisations able to mobilise resources more effectively and at lower cost, such as states. The early modern state, therefore, emerged as guarantor of regularities of behaviour among participants of an economic and political system that protected property rights and set the transaction costs into a reasonable level cost-efficiency.

Notwithstanding the consolidation of states could be the best solution in early modern Europe for the commonwealth, the highest authority in a political system was always negotiated at multiple levels whether monarchies or republics. The formation of the early modern Hispanic Monarchy as a state, central subject of this thesis, has been object of study among scholars from multiple perspectives. The Weberian territorial limitation abovementioned plays a central role in the definition of the Hispanic Monarchy. Traditional literature on this heterogeneous polity defined this state as a 'composite monarchy' in comparison with other European, more centralistic, models.⁴⁵ Each realm was organised through their own institutions, thus legitimizing the management of resources, the distribution of justice, and the use of coercion.

The formation of the Hispanic Monarchy mostly obeyed the principle of *aeque principaliter*, in which a state that pursued diplomatic or military expansion retained native institutions to ease the governmental transition in the new territory.⁴⁶ The paradigmatic example of this type of union was that of the kingdoms of Castile and Aragon. Both kingdoms kept their own parliaments, though they presented substantial differences regarding their autonomy. In contraposition to this expansionism there exists the concept of accessory union, in which the annexed territory loses its institutions and laws, to be replaced by those of the new holder. The conquest of Hispanic America is the most representative example of this policy as the Hispanic

⁴⁴ Ronald Coase was the first academic to highlight this difference in his classic work Ronald Coase, 'The Problem of Social Cost', *The Journal of Law and Economics* 3 (1 October 1960): 1–44; Ménard and Shirley, 'The Future of New Institutional Economics', 545.

⁴⁵ H. G. Koenigsberger, 'Monarchies and Parliaments in Early Modern Europe *Dominium Regale* or *Dominium Politicum et Regale*', *Theory and Society* 5, no. 2 (1978): 191–217; J. H. Elliott, 'A Europe of Composite Monarchies', *Past & Present*, no. 137 (1992): 48–71.

⁴⁶ Elliott took this concept from the *Política Indiana* (1647), written by the Spanish jurist Juan de Solórzano Pereira, who used this concept to describe the process of political aggregations that resulted in the Hispanic Monarchy. See Elliott, 'A Europe of Composite Monarchies', 52.

Monarchy created a new political system inspired by the Castilian example.⁴⁷ These diverse strategies of expansionism reflected the domestic differences in the monarchy in a continuous process of political aggregation rather than integration that symbolised the existing polycentric division of effective power.⁴⁸

In this sense, the Hispanic Monarchy consisted of jurisdictional fragmented territories in each realm that were interconnected with one another and converged in the authority of the sovereign. Jurisdictional fragmentation is here considered as the contestation of sovereignty by local and regional powers, such as cities, corporations, or feudal lords.⁴⁹ These multiple social organisations were greatly interconnected through networks of relationships that integrated every part of the Hispanic Monarchy.⁵⁰ However, the close link between the institutional separation of the Hispanic realms and the jurisdictional fragmentation in each of them has been considered an element that prevented its economic growth.⁵¹ The main explanation for this outcome is linked to the lack of centralism and absolutist practices from central authorities.

The existence of jurisdictional fragmentation in the early modern Hispanic Monarchy thus contradicts the argument of North and Weingast regarding the cause of its '*retarded long-run economic growth*', which they based on absolutist practices.⁵² Indeed, recent literature challenges the concept of absolutist state, which had been traditionally considered as a political choice that tended to centralisation, military professionalisation, bureaucratisation, and a nobility progressively more domesticated.⁵³ In this sense, this doctoral thesis is also framed by this literature of

⁴⁷ Manuel Lucena Salmoral, ed., *Historia de Iberoamérica*, 4th ed., vol. 2 (Madrid: Cátedra, 2008), 219; an exception must be made with the Tlaxcala people, which preserved its rights and properties because of their alliance with Cortés. See Kenneth R. Mills, William B. Taylor, and Sandra Lauderdale Graham, eds., *Colonial Latin America: A Documentary History* (Rowman & Littlefield, 2002), 113.

⁴⁸ Óscar Mazín Gómez, 'Architect of the New World. Juan de Solórzano Pereyra and the Status of the Americas', in *Polycentric Monarchies: How Did Early Modern Spain and Portugal Achieve and Maintain a Global Hegemony?*, ed. Pedro Cardim (Brighton ; Portland, Or: Sussex Academic Press, 2012), 27.

⁴⁹ Epstein, *Freedom and Growth*, 14.

⁵⁰ J. B. Owens, 'By My Absolute Royal Authority': *Justice and the Castilian Commonwealth at the Beginning of the First Global Age*, *Changing Perspectives on Early Modern Europe* (Rochester, NY: University of Rochester Press, 2005), 246.

⁵¹ Epstein, *Freedom and Growth*, 169.

⁵² Douglass C. North and Barry R. Weingast, 'Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England', *The Journal of Economic History* 49, no. 4 (1989): 808.

⁵³ One of the first works to highlight this point was Nicholas Henshall, *The Myth of Absolutism: Change and Continuity in Early Modern European Monarchy* (London: Longman, 1992), chap. 6; Sommerville

political thought and stresses that the early modern Hispanic Monarchy was deeply dependant on the collaboration of actors and corporations to enforce royal authority.⁵⁴

Therefore, rulers and subjects played a decisive role in the process of state formation. The recent concept of 'empowering interactions', which refers to the communicative situation that results from the convergence of the interests of state representatives and local elites, illustrates this process.⁵⁵ This collaboration aimed to generate mutual benefits was clearer during exogeneous and endogenous threats, when there was a need for mobilising resources at local level.⁵⁶ The multiple wars and domestic conflicts in which early modern states like the Hispanic Monarchy got involved have drawn the attention of scholars in that sense.⁵⁷ Notwithstanding the evident role of warfare in the development of states, its overuse shadow other 'state shapers'.⁵⁸

As a result of this historiographical void, the study of the relationship between conflict and states has recently produced promising works on the model of 'contractor state', which have moved the focus to the analysis of private military entrepreneurs together with their networks, thus incorporating those non-state actors into the state apparatus.⁵⁹ The importance of that people and their role as state-builders, nonetheless,

provides an insightful historiographical review of the main works on early modern absolutism and how this concept has evolved to stress that there was no process of authority concentration, but a better convergence of private interests. See Johann P Sommerville, 'Early Modern Absolutism in Practice and Theory', in *Monarchism and Absolutism in Early Modern Europe*, ed. Cesare Cuttica and Glenn Burgess (Pickering & Chatto, 2012), 117–18.

⁵⁴ Anne Dubet, for instance, coordinated a book about the administration of royal finances in which their authors concluded that the members of institutions were always more important in terms of enforcing decisions than the institutions in which they worked. See Anne Dubet, ed., *Les finances royales dans la monarchie espagnole: XVIe-XIXe siècles*, Histoire (Rennes: Presses universitaires de Rennes, 2008).

⁵⁵ Willem Pieter Blockmans, André Holenstein, and Jon Mathieu, eds., *Empowering Interactions: Political Cultures and the Emergence of the State in Europe, 1300-1900* (Farnham, Surrey, England; Burlington, VT: Ashgate, 2009), 25–27.

⁵⁶ Timothy Besley and Torsten Persson, 'The Origins of State Capacity: Property Rights, Taxation, and Politics', *American Economic Review* 99, no. 4 (September 2009): 1240; Charles Tilly, *Coercion, Capital, and European States, AD 990-1990*, Studies in Social Discontinuity (Cambridge, Mass, USA: Blackwell, 1990).

⁵⁷ Jan Glete, *War and the State in Early Modern Europe: Spain, the Dutch Republic, and Sweden as Fiscal-Military States, 1500-1660*, Warfare and History (London; New York: Routledge, 2002), chapter 3 (especially, page 121); Rafael Torres Sánchez, *War, State and Development: Fiscal-Military States in the Eighteenth Century* (Ediciones Universidad de Navarra. EUNSA, 2007).

⁵⁸ Deborah A. Boucoyannis, 'War: The Tyranny of a Concept', SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, 2010).

⁵⁹ Until very recently, the academic attention was focused elsewhere. The 2010s has been a decade of important and challenging works on this topic. See Jose Miguel Escribano-Páez, 'Juan Rena and the Construction of the Hispanic Monarchy (1500-1540)' (European University Institute, 2016), 216; Benoît Maréchaux, 'Instituciones Navales y Finanzas Internacionales En El Mediterraneo de La Época Moderna:

has drawn less attention from scholars. Economic historians use to dilute the agency of financiers in macro-economic analysis, which results in few individual studies of the way the relationship of these individuals with state administrations and military providers worked.⁶⁰ This thesis aims at contributing to this historiographical debate about actors who helped to form early modern states providing an analysis of the conditions in which financial entrepreneurs performed as state-builders in relation with their clientele, especially regarding their mutual collaboration with the royal administration to preserve the state apparatus.

The analysis of the participation of non-state actors is, therefore, a crucial milestone in the historiography about the emergence of early modern states. Their ability to mobilise resources thanks to the negotiation among central authorities, minor administrations, individuals, and corporations opens new questions in an old branch of the debate about the formation of early modern states: political representation. Exactly, early modern sovereigns were never omnipotent nor absolutist to mobilise resources entirely on their own ability to impose their authority without negotiating first with local and regional elites. In this sense, gone is the time when the French, English, and Hispanic monarchies were considered 'absolutist states'.⁶¹

From the 1980s onwards, multiple works have demonstrated that the age of absolutism (not equivalent to despotism) was an aspiration rather than a reality.⁶² This historiographical current also had an impact on the studies of the Hispanic Monarchy, which is no longer classified as an absolutist state nowadays.⁶³ Even American

Los Asentistas de Galeras Genoveses al Servicio de La Monarquía Hispánica (1500-1650)' (Carlos III de Madrid, 2017); Rafael Torres Sánchez, *Military Entrepreneurs and the Spanish Contractor State in the Eighteenth Century* (Oxford University Press, 2016); David Parrott, *The Business of War: Military Enterprise and Military Revolution in Early Modern Europe* (Cambridge University Press, 2012).

⁶⁰ Few studies have shown this pattern, especially regarding the Hispanic Monarchy. An example of this in Sanz Ayán, *Un banquero en el Siglo de Oro*.

⁶¹ The classic study by Perry Anderson offers a view of Hispanic absolutism linked to the preservation of the privileges of nobility until the end of the Ancient Regime. However, Anderson stressed that such absolutism was 'in fact notably modest and limited in its domestic development'. See Anderson, *Lineages of the Absolutist State*, chap. 62.

⁶² John Miller, *Absolutism in Seventeenth-Century Europe* (Macmillan International Higher Education, 1990); Peter Hamish Wilson, *Absolutism in Central Europe* (Psychology Press, 2000).

⁶³ Charles Jago, 'Habsburg Absolutism and the Cortes of Castile', *The American Historical Review* 86, no. 2 (1981): 326; I. A. A. Thompson, 'Castile: Absolutism, Constitutionalism, and Liberty', in *Fiscal Crises, Liberty, and Representative Government, 1450-1789*, ed. Philip T. Hoffman and Kathryn Norberg, *The Making of Modern Freedom* (Stanford University Press, 2002), 181–225; Grafe, *Distant Tyranny*, 9.

territories, legally bounded to Castilian jurisdiction, were self-administered. In this regard, the absence of representative institutions like Castilian *cortes* has been considered as '*a dilution, not a devolution of power*'.⁶⁴ In other words, central royal institutions did not embody the authority overseas to mobilise resources, but their colonial dependent institutions. A similar proposal is applicable to the European territories of the Hispanic Monarchy.

While sovereigns had legislative prerogatives to modify the fiscal system to meet the demand of resources resulted from conflicts of progressively larger scale, local elites held the effective means of collection and administration. In the case of the early modern Hispanic Monarchy, both the emperor Charles V and his son Philip II confronted these limitations to their demands, each of them in key turning points of their reigns (1536 and 1575 respectively).⁶⁵ The question of absolutism was not a matter of authority but effective power. The institutional sociologist Thomas Ertman already emphasised this necessary collaboration in his work about the role of local governments, representative assemblies, and the rulers' access to resources in the shaping of modern states.⁶⁶ In this sense, Ertman remarked the viability of decentralised states, since local elites were the actual administrators of territorial resources. As a result of his approach, the definition of '*state*' widened to include urban elites and their institutions. Going a step further, Braddick considered the '*state*' as a coordinated network of territorially bounded offices exercising political power, thus stressing the role of local elites in its development.⁶⁷

In this context of continuous negotiation with local elites, the thesis of the predatory absolutist state, which instinctively sought to extract the maximum resources exerting its authority, is simply unsustainable.⁶⁸ Recent research has underpinned that the early modern Hispanic Monarchy did not fit in this model since its levels of coercion

⁶⁴ John Lynch, 'The Institutional Framework of Colonial Spanish America', *Journal of Latin American Studies* 24 (1992): 73.

⁶⁵ Willem Pieter Blockmans, *Emperor Charles V, 1500-1558* (London: Arnold, 2002), 29; José Ignacio Fortea Pérez, *Monarquía y Cortes En La Corona de Castilla: Las Ciudades Ante La Política Fiscal de Felipe II* (Valladolid: Cortes de Castilla y León, 1990), 221.

⁶⁶ Ertman, *Birth of the Leviathan*, 317–19.

⁶⁷ Braddick, *State Formation in Early Modern England, c. 1550-1700*, 19.

⁶⁸ Glete stresses the predatory practices of state armed forces to find supply in the markets of the Hispanic Monarchy. However, as the scholar also emphasises, the monarchy was in a period of transition to the contractor model. See Glete, *War and the State in Early Modern Europe*, 135.

were low compared to other early modern states of the region, such as France or England. The protection of property from private theft and public predation was relatively respected, whereas coercive means such as forced loans, depreciations, and monopolies were exceptional.⁶⁹ This doctoral thesis comes to support this point because when Philip II consolidated his short-term debt seizing the incomes allocated for it and changing its interest rate, the monarch sought to provide solutions to create a credible commitment with his financiers and subjects to thus making the financial system viable in the long run.

Economic historians have tended to link credible commitments to economic growth, which turns this concept into another tool of the state formation. A credible commitment comprehends two elements to occur: a precedent of '*responsible behaviour*' from the rulers and constraining tools to make them obey the rules.⁷⁰ The most representative restrictive means that could oblige sovereigns to comply the rules of the game were institutions, traditionally formal institutions like parliaments.⁷¹ From the fiscal point of view for example, the existence of representative institutions, which defended the interests of urban elites rather than those of commoners, was way of preventing predatory practices from the sovereign derived from his authority. No central parliament represented the interests of other territorial elites in the Hispanic Monarchy, though their decisions might have an impact in the rest of the territories.

In the specific case of the Hispanic Monarchy, its composite division encouraged the sovereign to negotiate with the parliaments of each territory separately the mobilisation of resources, the protection of rights, and better ways to reduce transaction costs.⁷² Representative institutions had individual traditions and privileges

⁶⁹ Alejandra Irigoin and Regina Grafe, 'Bounded Leviathan: Fiscal Constraints and Financial Development in the Early Modern Hispanic World', in *Questioning Credible Commitment: Perspectives on the Rise of Financial Capitalism*, ed. D'Maris Coffman, Adrian Leonard, and Larry Neal (Cambridge University Press, 2013), 202–13.

⁷⁰ North and Weingast, 'Constitutions and Commitment', 803; D'Maris Coffman and Larry Neal, 'Introduction', in *Questioning Credible Commitment: Perspectives on the Rise of Financial Capitalism*, Macroeconomic Policy Making (Cambridge: Cambridge University Press, 2013), 1.

⁷¹ Koenigsberger, 'Monarchies and Parliaments in Early Modern Europe *Dominium Regale* or *Dominium Politicum et Regale*'.

⁷² Both the Emperor Charles V and his son Philip II confronted these limitations to their demands, which marked key turning points in each of their reigns. See Blockmans, *Emperor Charles V, 1500-1558*, 29; Carlos Álvarez Nogal and Christophe Chamley, 'Philip II against the Cortes and the Credit Freeze of 1575-

that obliged the Hispanic rulers to plan a different strategy for each assembly to ensure their authority was obeyed. The main characteristic of these parliaments was their composition, which varied from one kingdom to another.

For example, while there was a strong presence of noblemen and clergy in Aragon at the time studied in this thesis, these two groups had lost interest in participating at the meetings held in Castile.⁷³ In the Habsburg Low Countries, by contrast, the population was concentrated in urban centres and this resulted in a powerful bourgeoisie with influence in the provincial and regional parliaments, which resulted in interesting outcomes explained in further detail throughout the third chapter.⁷⁴ The heterogeneity and apparent disconnection among representative institutions illustrates how diverse political spaces became a forum of negotiation where every participant needed the collaboration of elites from other territories to satisfy their own goals.

Whereas the king sought to gather new resources with which to pursue his dynastic duties, the local elites represented at these meetings demanded new mercies and changes that could reinforce their influence in their home cities and confirm their traditional privileges. The bargaining tool of this political game was the fiscal apparatus of the territories, which had an impact in the distribution of fiscal burden in urban and rural spaces besides of establishing a debt ceiling to the monarch. While the sovereign had the legislative prerogative to enact new taxes and either raise or abolish the existing ones at certain parliaments, local elites held the effective means of collection and distribution of wealth at the local and regional levels. Therefore, the Hispanic sovereigns were obliged to grant some concessions and mercies in exchange for collaboration.⁷⁵ In

1577', *Revista de Historia Económica - Journal of Iberian and Latin American Economic History* 34, no. 3 (2016): 351–82.

⁷³ Teresa Canet Aparisi, 'La Corona de Aragón: El Modelo Político y Sus Marcos Históricos', in *Las Monarquías Española y Francesa (Siglos XVI-XVIII)*, ed. Anne Dubet and José Javier Ruiz Ibáñez (Casa de Velázquez, 2010), 3–15.

⁷⁴ H. G. Koenigsberger, *Monarchies, States Generals and Parliaments: The Netherlands in the Fifteenth and Sixteenth Centuries* (Cambridge University Press, 2001).

⁷⁵ Deborah A. Boucoyannis, 'No Taxation of Elites, No Representation', *Politics & Society* 43, no. 3 (2015): 303–32; Juan Manuel Carretero Zamora, 'Cortes, representación política y pacto fiscal (1498-1518)', in *La société politique à la fin du XVe siècle dans les royaumes Ibériques et en Europe: élites, peuple, sujets?: actes du colloque Franco-Espagnol de Paris, 26-29 mai 2004* (Secretariado de Publicaciones e Intercambio Editorial, Presses d'Université de Paris-Sorbonne, 2007), 129–44; Tracy has clearly defined the necessity for bargaining fiscal concessions that Hispanic sovereigns had to face in their multiple territories, such as

this sense, the Hispanic Monarchy has been recently considered as a *monarchy of urban republics* to highlight the importance of those urban microcosmos.⁷⁶

The differences among the parliaments that represented urban polities in the Hispanic Monarchy resulted in an unbalanced political weight in the conglomerate of the monarchy. Although the monarchy embraced large parts of Europe and America by the 1550s, the *cortes* of Castile were the most important representative institution of the ensemble. The reason of this 'privileged position' lay with the number of generous subsidies that these estates granted to the monarch and the certainty of their collection to back new debt.⁷⁷ After the *comunero* revolt of 1520-1521, Charles V preserved the representative institution to support his foreign policy since the Castilian parliament began to pass extraordinary pecuniary subsidies to the monarch regularly.⁷⁸ Nevertheless, any increase in the ordinary fiscal pressure, even a simple renewal, required the approval of the *cortes*. This continuous negotiation among ruler and a representative institution reflects that authority and effective power in the political and fiscal means of the monarchy cannot be placed solely on the monarch.⁷⁹ This outcome confirms that representation was a necessary concession for the good functioning of the state.⁸⁰

Understanding how the royal and local agendas converged is a question that still has much to offer. In the specific case of the Castilian *cortes*, urban oligarchies managed the local tax collection of royal revenues, which granted them an important bargaining power. The role of these elites, who channelled funding to the monarch and assured his future incomes, provided him with the certainty of steady cash and solvency to keep borrowing from independent lenders in case of necessity. In this regard, solvency must be understood as the possibility of the sovereign to create new sources of incomes and

Castile, the Habsburg Low Countries, and Naples. See James D. Tracy, *Emperor Charles V, Impresario of War: Campaign Strategy, International Finance, and Domestic Politics* (Cambridge, U.K.; New York: Cambridge University Press, 2002); Koenigsberger, *Monarchies, States Generals and Parliaments*; However, this was not always the case since in some early modern states the sovereign had no need to bargain for fiscal novelties. See Bartolomé Yun-Casalilla and Patrick K. O'Brien, eds., *The Rise of Fiscal States: A Global History, 1500-1914*, Cambridge Books Online (Cambridge: Cambridge University Press, 2012), 4.

⁷⁶ Herrero Sánchez, 'El Modelo Republicano En Una Monarquía de Ciudades', 276.

⁷⁷ Tracy, *Emperor Charles V, Impresario of War*, 293–301.

⁷⁸ Fortea Pérez, *Monarquía y Cortes En La Corona de Castilla*, 43.

⁷⁹ An idea already defended in Stasavage, *States of Credit*.

⁸⁰ Ertman, *Birth of the Leviathan*, 112.

expenditure to make his finances sustainable.⁸¹ The collaboration of local elites to pass, raise taxes, and channel them to royal treasuries timely was not an easy task, unless those groups of power had a private interest on that mechanic.

In effect, recent historiographical contributions emphasise the convergence of private and public interests, which has resulted in a new historiographical model: the stakeholder state.⁸² The model that Grafe and Irigoin propose is applied to the colonial space and based on the fact that local elites benefited from the correct functioning of the state administration, which gave them incentives to the state development. In other words, local powerholders were part of the state administration thanks to their private rather than public interests. This doctoral thesis supports this historiographical model to understand the Hispanic Monarchy through the analysis of the *Factoría General*, whose members had a private interest in the viability of the monarchy.

The financial system of the Hispanic Monarchy: taxes and debt

The sovereigns of the Hispanic Monarchy, starting with Charles V in 1519 as common monarch of the Iberian realms with effective authority, were always in need of private funding. Their extensive patrimonial inheritance included territories in the Iberian and Italian peninsulas, Central Europe, the Low Countries, the northern African coast, and an overseas colonial empire in America and the south eastern Asian archipelagos. Notwithstanding the impressive territorial patrimony of the Hispanic sovereigns, their main concern regarding the preservation of those territories remained in Europe and the Mediterranean Sea. The increasing hostilities between the Habsburg and Valois dynasties throughout the sixteenth century created new external foes like the French-Ottoman alliance that threatened the integrity of the dynastical inheritance.⁸³

Together with the military conflicts with rival early modern states, the amalgamation of so different territories and subjects under the authority of a single sovereign soon revealed the inevitable emergence of domestic problems. Urban revolts

⁸¹ Drelichman and Voth, *Lending to the Borrower from Hell*, 106.

⁸² Regina Grafe and Alejandra Irigoin, 'A Stakeholder Empire: The Political Economy of Spanish Imperial Rule in America', *The Economic History Review* 65, no. 2 (1 May 2012): 609–51.

⁸³ Christine Shaw, *The Italian Wars, 1494-1559: War, State and Society in Early Modern Europe*, Second edition, Modern Wars in Perspective (Abingdon, Oxon; New York, NY: Routledge, 2019).

and outbreaks of religious discontent took form throughout all the composite monarchy as a result of failed means of negotiation and representation, both key concepts for the formation of early modern states already explained in the previous section. The well-known revolts of *comuneros* and *germanias* in the Iberian Peninsula, the religious wars against the Schmalkaldic League in Central Europe, or the War of the Eighty Years were the outcomes of the lack of consensus among interregional and local powerholders.⁸⁴

The numerous commitments of international scale demanded extensive funding that was always difficult to collect on time and harder to disburse in the appropriate spaces. The Hispanic sovereigns obtained their pecuniary resources from a cumulative tradition of ordinary and extraordinary taxes agreed with the representative institutions of the multiple territories of the monarchy.⁸⁵ Whereas the ordinary taxes were regular incomes approved in perpetuity, the extraordinary taxes were all those exceptional subsidies that either the parliaments or religious institutions conceded to the monarchs in times of need. Since the Hispanic Monarchy was constantly participating in international and domestic conflicts, the extraordinary incomes tended to be considered a granted and regular stream of funding by the sovereigns. The second chapter of this thesis highlights this point when referring to an ecclesiastical subsidy that was already allocated to pay debt before it was officially agreed, which resulted in tense negotiations between the royal administrators and the high clergy of Castile.

The extraordinary subsidies agreed with the multiple lay and ecclesiastical parliaments were subjected to problematic and continuous negotiations, which resulted in the fact that the fiscal burden of the ordinary taxes that funded most of the military enterprises of the monarchy were part of the indirect taxation, especially trade customs.⁸⁶ In the case of Castile, fiscal heart of the composite monarchy, the sovereigns

⁸⁴ A classic reading on the trajectory of the domestic and exogenous challenges during the reign of Charles V in Tracy, *Emperor Charles V, Impresario of War*, secs 2–3; for an overview of Philip II's challenges see Geoffrey Parker, *Imprudent King: A New Life of Philip II* (New Haven: Yale University Press, 2014), sec. 4.

⁸⁵ This division of revenues was historiographically clear already in the 1990s. See David Alonso García, 'La configuración de lo ordinario en el sistema fiscal de la monarquía (1505-1536): Una o dos ideas', *Studia historica. Historia moderna*, no. 21 (1999): 117–52; Juan Manuel Carretero Zamora, 'Fiscalidad extraordinaria y deuda: El destino del servicio de las Cortes de Castilla: 1535-1537', *Espacio, tiempo y forma. Serie IV, Historia moderna*, no. 8 (1995): 11–48.

⁸⁶ The growing importance of indirect taxation was common in Europe in the early modern times. See Yun-Casalilla and O'Brien, *The Rise of Fiscal States*; for the specific case of the Hispanic Monarchy see Luis Antonio Ribot García, ed., *Las Finanzas Estatales En España e Italia En La Época Moderna*, El Río Heráclito 6 (Madrid: Actas Editorial, 2009), 19.

preferred to agree with the cities summoned to the parliament a contract called *encabezamiento* by which they promised to provide a fixed amount of money in exchange for the right to manage the collection of those taxes.

This strategy solved three problems for the Hispanic monarchs. First, the agreement avoided the obligation of arranging funds to pay for the services of tax collectors, especially in wartime when the available resources were scarce. Second, the king provided a means of self-government to local elites and minimised his interference in urban affairs. Finally, the amounts were more predictable and reliable, which improved the credit reputation of the monarch when he borrowed. This fiscal system was highly appropriate for a composite monarchy in terms of cost-efficiency because the coercive burden was diluted among urban institutions and important issues like authority and representation were respected. In this sense, the major problem to deal with was the amount of money to be raised rather than a change of fiscal collection.

Notwithstanding the preferable reliability of ordinary incomes, the numerous commitments with which the Hispanic Monarchy had become involved by the mid-sixteenth century compelled a substantial enlargement of the royal budget through the increase of extraordinary subsidies. Whereas the main Castilian fiscal duties (*alcabalas* and *tercias*) that were circumscribed to the system of *encabezamiento* barely rose by 14% during the whole of Charles V's reign, the subsidies granted by the Castilian *cortes*, called *servicios (ordinario and extraordinario)*, practically doubled.⁸⁷ This means that urban elites, who controlled their representatives in the *cortes*, preferred to discuss and pass extraordinary concessions of capital rather than change the traditional agreements on ordinary taxes. The reason for this political behaviour was that cities preferred to keep the fiscal burden as low as possible to retain their bargaining tool with the monarch. If they accepted a continuous increase in the royal duties, these new taxes would enlarge the royal power to levels that could create an unbalance in the social pact of authority diminishing the local influence of urban elites and institutions.

The policy of permanent negotiation during the reign of Charles V in Castile was a continuation of the strategies that the Catholic monarchs had already initiated by the

⁸⁷ Blockmans, *Emperor Charles V, 1500-1558*, 156.

end of the previous century.⁸⁸ If their main goals had been to reinforce royal authority and restore the estates lost during the last war of succession in Castile (1474-1479), Charles V sought continue their policy and enlarge his own resources to respond the new challenges of his reign. The large dimension of the commitments of the Hispanic sovereigns demanded an equivalent mobilisation of resources, which has drawn the attention of scholars since the second half of the previous century. The initial approach followed a structural and isolating perspective because it examined how taxes were created, organised, and developed, namely in the kingdom of Castile.⁸⁹

The interest in the mobilisation of resources through fiscal means as part of the emergence of early modern states consolidated with comparative studies in the 1990s.⁹⁰ From those years onwards, scholars have focused on the relation between the fiscal system and the process of state formation. Works on the military revolution, a traditional field that considers the advances in military technology as a crucial element in the emergence of early modern states, were then linked to the study of the development of more sophisticated and efficient fiscal systems able to mobilise more resources.⁹¹ This historiographical shift resulted in a tendency known as 'New Fiscal History', which puts the focus on the impact that warfare and new fiscal means contributed to generate economic growth under the conceptual umbrella of the fiscal-military state.⁹²

⁸⁸ This continuous negotiation had proved successful during the political and financial struggles of the fifteenth century, when it was necessary to keep local tax collectors as part of the royal administration even though they failed in their duties. The loyalty of urban elites, who belonged to the body of tax collectors, emerged as a central piece in the restoration of royal power in Castile. Once the Catholic Monarchs restored royal power, they enacted fiscal reforms at the *cortes* of Toledo (1480) following the previous tradition of negotiation. See Pablo Ortego Rico, "'Sy algunas quiebras en ellas oviese...': crisis de liquidez y quiebras financieras en Castilla a fines de la Edad Media", *Cuadernos de Historia Moderna* 42, no. 2 (2017): 438.

⁸⁹ The following examples, though framed in a larger economic narrative, approached royal incomes according to what they taxed, a common pattern generally assumed in the historiography. See Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*; Ramón Carande Thovar, *Carlos V y sus banqueros* (Barcelona: Crítica, 1987), vol. I; Juan Eloy Gelabert González, *La bolsa del Rey: rey, reino y fisco en Castilla (1598-1648)* (Barcelona: Crítica, Grijalbo Mondadori, 1997).

⁹⁰ Richard Bonney, *The Rise of the Fiscal State in Europe, c.1200-1815* (Oxford University Press, 1999).

⁹¹ The second edition of Parker's monograph on what he called 'military revolution' generated a large debate, especially regarding the chronology of a revolution that took around three centuries to complete. See Geoffrey Parker, *The Military Revolution: Military Innovation and the Rise of the West, 1500-1800*, 2nd ed (Cambridge; New York: Cambridge University Press, 1996), chap. 6.

⁹² I. A. A. Thompson, 'Money, Money, and yet More Money! Finance, the Fiscal-State, and the Military Revolution', *The Military Revolution Debate: Readings on the Military Transformation of Early Modern Europe*, 1995; Michael J. Braddick, 'The Fiscal-Military State', in *State Formation in Early Modern England*,

The role of institutions in the process of creation a fiscal-military state is evident, which has encouraged recent studies to delve into the impact that the development of specific institutions had for the rise and decline of fiscal regimes.⁹³ This approach is still necessary because there are many differences and similarities to discover among the Western European states. Throughout the third chapter of this thesis, for example, there is discussion of an entire proposal about the convergence of fiscal policies during the 1550s in the English, French, Hispanic, and Italian territories that would have been overlooked without this comparative method.

Nevertheless, the interterritorial comparison of fiscal systems with special interest in the institutions that shaped those early modern states is not the only inspiring methodology in the field. In effect, the emergence of GIS (Geographical Information System) procedures is helping to create EU-funded projects that seek to spatialise the early modern fiscal reality. In other words, scholars are attempting to link fiscal spaces with their social agendas to thus obtain a better approach to their historical developments.⁹⁴ The outcomes of these new investigations are enlarging our knowledge about the mutability of fiscal demarcations. This conclusion implies that a larger or smaller amount of royal taxes were not collected because of royal decisions or civic agreements, but because their fiscal districts were subject to eventual changes.⁹⁵

The sales of jurisdictions, a common practice when the monarchs ran out of money, or special royal demands of liquidity are among the main causes that can explain why these fiscal territories expanded and contracted throughout their history.⁹⁶ As a

c. 1550-1700 (Cambridge: Cambridge University Press, 2000); Glete, *War and the State in Early Modern Europe*.

⁹³ Yun-Casalilla and O'Brien, *The Rise of Fiscal States*; Irigoin and Grafe, 'Bounded Leviathan: Fiscal Constraints and Financial Development in the Early Modern Hispanic World'; Ildefonso Sánchez González, *Historia General Aduanera de España: Edad Moderna*, Estudios Históricos (Madrid: Ministerio de Hacienda, Instituto de Estudios Fiscales, 2014).

⁹⁴ A volume on this aspect with important contributions by international scholars such as A. Crespo Solana, D. Alonso García, M. Lex, S.T. Perrone, A. Picazo, and Antonio Crespo in David Alonso García, ed., 'Historia Moderna y Sistemas de Información Geográfica (SIG)', *Revista electrónica de Historia Moderna* 7, no. 26 (2 July 2013).

⁹⁵ David Alonso García, 'Crear Espacios, Cobrar Impuestos. Los Partidos Fiscales de Castilla a Principios de La Edad Moderna', in *Los Ámbitos de La Fiscalidad: Fronteras, Territorio y Percepción de Tributos En Los Imperios Ibéricos (Siglos XV-XVIII)* (Madrid: Instituto de Estudios Fiscales, 2011), 41–56.

⁹⁶ A classic overview in Miller, *Absolutism in Seventeenth-Century Europe*, 91; see also two classic chapters on the relationship between the sale of jurisdictions and absolutist practices within a framework of fiscal crises in I. A. A. Thompson, 'Castile: Polity, Fiscality, and Fiscal Crisis', in *Fiscal Crises, Liberty, and Representative Government, 1450-1789*, ed. Philip T. Hoffman and Kathryn Norberg, 2 (first published in

result of these investigations, future scholars will be able to deal with this dynamic geographical dimension of the fiscal apparatus in the Hispanic Monarchy. In the meantime, this thesis aims at contributing to this literature focusing on the role of institutions and the strategies of urban elites through their participation in the fiscal system of a state in the making during a time of warfare and uncertainty.

Notwithstanding the several historiographical branches that study the fiscal system in the Hispanic Monarchy abovementioned, scholars agree about its inability to service the increasing demand of resources on time and quantity.⁹⁷ Recurrent crisis of liquidity and unforeseeable events as result of continuous conflicts obliged the Hispanic rulers to seek credit among private financiers. However, the system allowed the monarch to avoid the use of credit by leasing some royal incomes to the private sector, which also provided a way to find steady liquidity.

The system of tax farming was in strict concomitance with the royal financiers as they benefited from an efficient tax collection system. Clientelism emerged from this indirect alliance of tax farmer-independent financier, an issue that simply tightened the cohesion of local elites with international businessmen.⁹⁸ The literature of this topic, though consistent, does not offer great novelties for the study of this alternative to large borrowing.⁹⁹ There is still much to know about the networks that connected these actors, especially in terms of brokerage and information. This thesis also seeks to contribute in this field through the analysis of strategies of intermediation between financiers and local elites, especially in long-term and long-distance contractual relationships of financial services. More specifically, the seventh chapter reveals the how a businessman

1994), *The Making of Modern Freedom* (Stanford University Press, 2002), 140–80; Thompson, 'Castile: Absolutism, Constitutionalism, and Liberty'.

⁹⁷ Alonso García, 'La configuración de lo ordinario en el sistema fiscal de la monarquía (1505-1536)'.

⁹⁸ David Alonso García, 'Poder financiero y arrendadores de rentas reales en Castilla a principios de la Edad Moderna', *Cuadernos de historia moderna*, no. 31 (2006): 117–38; Juan Manuel Carretero Zamora, 'Los arrendadores de la Hacienda de Castilla a comienzos del siglo XVI (1517-1525)', *Studia historica. Historia moderna*, no. 21 (1999): 153–90.

⁹⁹ A recent collective work which offers heterogeneous case studies of different geographies of the Hispanic Monarchy, but with few novelties in the field, is Ernesto García Fernández, *Tesorereros, 'arrendadores' y financieros en los reinos hispánicos: la Corona de Castilla y el Reino de Navarra (siglos XIV-XVII)* (Instituto de Estudios Fiscales, 2012); Carretero Zamora, 'Los arrendadores de la Hacienda de Castilla a comienzos del siglo XVI (1517-1525)'.

from Burgos (Castile) intermediated financial services to the duchess of Florence (Italy) for several years.

The research of international financiers able to provide funds in every corner of the monarchy faster than carrying bullion by any means of transport, by contrast, has been much more prolific. The collaboration of international financiers to disburse money anywhere and in ways that were around the monarchy became a standard procedure that was not exempt from expensive fees charged by the service providers. The system that moneylenders used to transfer money between distant places was based on the consolidation of an effective system of bills of exchange across Europe.

The bill of exchange was a written obligation that consisted of cashless payments between actors at a future moment. It was originally designed for long-distance trade in the Mediterranean Middle Ages to improve mobility in the international capital market since there was no central mint.¹⁰⁰ The political fragmentation of the Mediterranean area necessitated the exchange of currencies, which was problematic in terms of security and quantity when carrying bullion from one place to another over long-distance journeys. Beyond the expansion of these bills of exchange in commercial transactions, their use in financial deals was possible thanks to five elements.¹⁰¹

First, usury laws that formerly prevented Christians from applying interest rates on private credits started to become less restrictive and intrusive during the transition to the early modern centuries, especially since credit operations became transactions for regular incomes that often lasted a lifetime.¹⁰² Only Jewish communities were exempt from this religious ban, which was a triggering element for them to become the majority lending community in medieval times. Once they were expelled from a territory, they took their accounting knowledge with them, thus spreading the concept of credit to the rest of the Mediterranean area and beyond.

¹⁰⁰ This financial device was first created by Italian merchants, who later spread it to the Atlantic coasts. Northern Europe, which was dominated by the Hanseatic League in commercial and financial matters, learnt later about the use of bills of exchange. See Karl Gunnar Persson, *An Economic History of Europe: Knowledge, Institutions and Growth, 600 to the Present*, New Approaches to Economic and Social History (Cambridge, UK; New York: Cambridge University Press, 2010), 133.

¹⁰¹ This conceptual framework is based on North, *Institutions, Institutional Change and Economic Performance*, 125–26.

¹⁰² Kenneth H. F. Dyson, *States, Debt, and Power: 'Saints' and 'Sinners' in European History and Integration* (Oxford University Press, 2014), 118–19.

Christians progressively became more aware of the benefits of credit transactions and the use of bills of exchange. In order to circumvent the religious prohibition, they created the second element that characterises the expansion of bills of exchange in the financial market: discount houses.¹⁰³ These business structures acquired bills of exchange before they matured at a discounted price. This means that people sold bills to buyers at a lower price than their face value because they wanted to have liquidity before the bill of exchange matured. In this way, those who bought these financial devices at a discounted price could earn the full price of the bill of exchange once the date for its payment was reached, as initially indicated in the document. The existence of discount houses was, therefore, a determining factor in improving the mobility of this product across Europe.

As usury laws became more flexible and discount houses improved the circulation of bills of exchange, a third element must be considered: transferability. The concept of the transferability or negotiability of a bill of exchange refers to its ability to be handed to another person or financial society, ensuring its final payment. In other words, whoever became the debtor responsible for the reimbursement was legally liable to fulfil their promise. In this sense, bills of exchange also became a liquid asset since the reputation of the debtor backed the payment. These legal changes and innovations enabled financiers to apply higher interest rates in their transactions, while diminishing the costs of writing financial contracts.

The fourth element is the enforceability of these financial deals, which finds its parallel in the techniques that merchants used to avoid being cheated. The use of kinship and family ties was the most common strategy to maintain trust among one another and enforce penalties if necessary.¹⁰⁴ However, there were other ways in which shared identity could be as important as blood, such as religious and regional ties.¹⁰⁵ This reciprocal identification was a self-enforcing tool since the community to which a cheater belonged would definitely expel that individual from business as his or her dishonest action damaged the reputation of the group.

¹⁰³ Victoria N. Bateman, *Markets and Growth in Early Modern Europe*, Perspectives in Economic and Social History, no. 20 (London: Pickering & Chatto, 2012), 119–20.

¹⁰⁴ North, *Institutions, Institutional Change and Economic Performance*, 126.

¹⁰⁵ Bateman, *Markets and Growth in Early Modern Europe*, 120.

Besides this group pressure, a fifth element ensured the use of bills of exchange in financial contracts: legal institutions. The existence of a legal framework and institutions able to enforce penalties if a cheater deceived was an additional security means by which people could trust one another. In addition to the informal enforcement relating to the community reputation, legal institutions also provided a formal enforcement tool that ensured and legislated for punishment and confiscation.

These five elements helped international merchant-lenders to consolidate a financial system based on bills of exchange and thus to provide the Hispanic rulers with goods and a reasonable cost-efficiency financial mechanism. When the sovereigns struggled to find resources with which to reimburse those services, there was an urge to improve the system of payments to reduce costs and keep credit flowing. Since most of the royal incomes were of a fiscal nature, any increase in them certainly required the collaboration of the estates in each domain to make the new resources reliable so as to service the reimbursements.

This financial agreement was efficient and possible thanks to the relation between financial sustainability and the solvency of the monarchs.¹⁰⁶ Whereas the former concept means that individuals or institutions already have the fiscal means to reimburse their debts, solvency refers to the ability of these borrowers to facilitate that reimbursement by creating or obtaining new ways of payment, such as the enactment of new taxes or increasing the existing ones. If royal incomes were irregular, their collection untrustworthy, and they were constantly drained away by military conflict, international lenders hesitated to provide their services to the monarch because his finances were unsustainable. If the king had the effective collaboration of those institutions that collected royal incomes, by contrast, credit would flow more easily as the ability to pay back debts was sustainable.

However, sometimes the causes for a credit shortage were not related to the backing of local institutions to collect the taxes.¹⁰⁷ Notwithstanding the large incomes of the sovereign, he also incurred huge expenses for the maintenance of the realms,

¹⁰⁶ A recent reference to these two concepts in Drelichman and Voth, *Lending to the Borrower from Hell*, 106.

¹⁰⁷ David Alonso García, 'Deuda, crédito y Hacienda Real en tiempos de Carlos V', in *Historia de la deuda pública en España: (siglos XVI-XXI)*, 2015, 30.

especially in wartime like in the chronology studied in this thesis. When the financial system was sustainable but unable to provide additional funding to reimburse more debt, it was time for the king to demonstrate that he was solvent by increasing his fiscal budget. In order to achieve this goal, he had to increase his income ceiling, which required negotiations with the fiscal collectors of the monarchy, either lay or religious.¹⁰⁸ In most cases, however, the highest fiscal burden lay on the cities of all the realms.

Therefore, it was more common to see a negotiation with cities rather than with the religious and noble estates. Even that bargaining process, which used to take place in the estate meetings or *cortes*, was not necessarily a bilateral dialogue between an urban collective and the monarch. The third chapter of this dissertation relates an example from the Habsburg Low Countries about how it was sometimes necessary to deal with each city individually in order to increase the royal income ceiling. Therefore, an efficient body of tax collectors and the ability to enlarge the fiscal budget meant better access to credit.

These two concepts of sustainability and solvency are useful tools to explain why the Castilian estates became so important for the Hispanic Monarchy, since they contributed to triggering the decision to establish new royal income ceilings so as to service royal debt. When the level of these liabilities surpassed the expected incomes of the monarch or the collection failed for whatever reason, there was a mechanism to avoid the financial collapse of lenders and borrower. This system consisted in the issuance of titles of long-term debt called *juros* to compensate for the inability of the monarch to pay on time.¹⁰⁹

¹⁰⁸ The importance of representation for the access to credit has recently been tackled by David Stasavage, who stressed the importance of geographical distance for representative institutions and their relationship with the income ceiling together with their aim at offering a better access to credit. See Stasavage, *States of Credit*.

¹⁰⁹ The financial concept of 'juros' was not exceptional of the Castilian case. Other early modern territories developed their own devices with large similarities among them, which highlights the financial convergence of institutional strategies. The case of 'renten' in the Habsburg Low Countries is a central issue in the third chapter that can illustrate this point. See also James D. Tracy, *A Financial Revolution in the Habsburg Netherlands: Renten and Renteniers in the County of Holland, 1515-1565* (Berkeley: University of California Press, 1985).

During the reign of Charles V, these *juros* became a common means of reimbursement of loan contracts (*asientos*) and also an important collateral that reassured lenders about the sustainability of royal finances. The use of this financial device increased notoriously in the 1520s until the end of the period under study in this thesis.¹¹⁰ Its associated payments were assigned to royal incomes, either already agreed with the *cortes* or estimated if they had not been collected yet.

The definition of these two financial concepts, *asientos* and *juros*, has many variables, though their essential characteristics are generally accepted. This thesis employs the versions of these concepts described by Henri Lapeyre and Felipe Ruiz Martín.¹¹¹ First, an *asiento* was a complex short-term financial operation that was often reimbursed in cash and involved up to three different services: the delivery of money, goods or military support; transport of the borrowed capital whenever this was needed; and the conversion of currency. The arrangement of an *asiento* consisted in a tortuous bureaucratic process and negotiation with the service provider that could last weeks or even months.

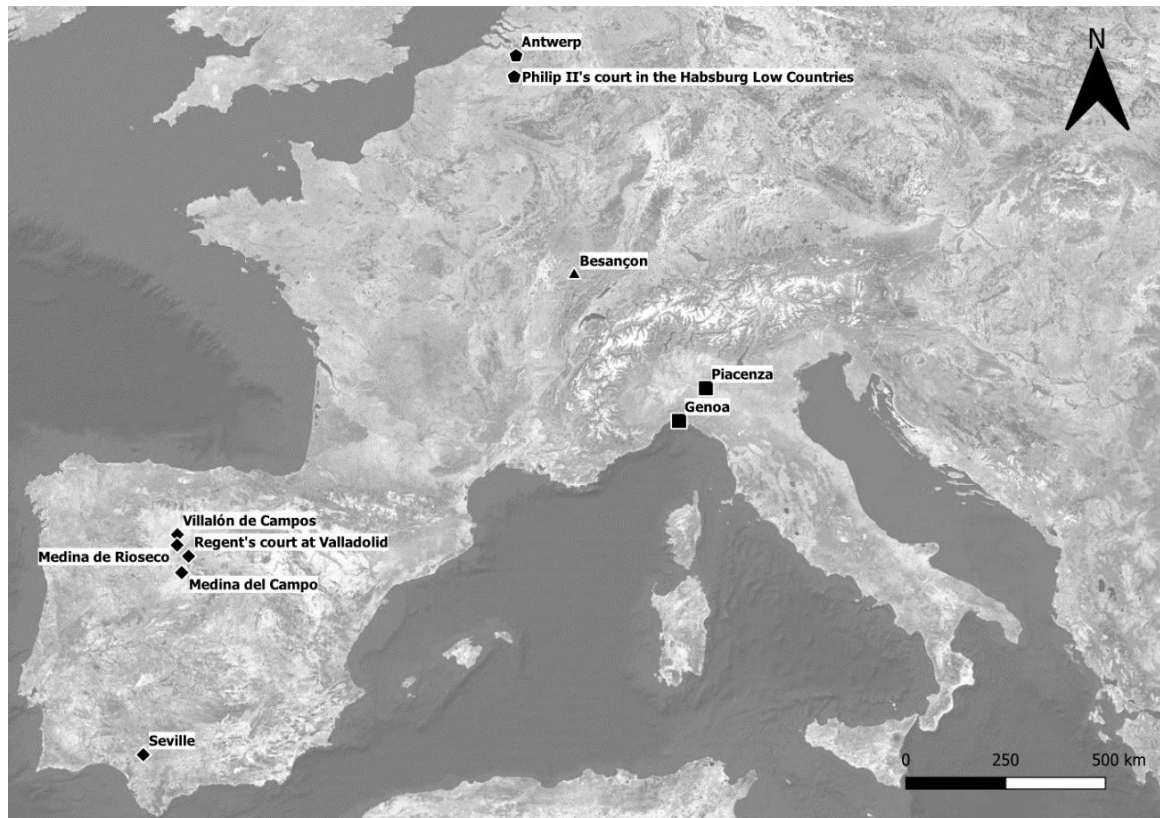
The Council of Finances and its dependant organisms first issued some reports to define the needs of the monarch and how he could repay the service with the available funds.¹¹² Once a sum was agreed, it was offered to businessmen who resided at the royal court. These lenders arranged the deal with the royal officers and they together wrote down all the details about how the services would be delivered and reimbursed. Although many *asientos* were arranged at the royal court, they were also offered at payments fairs held in Castile, specifically in Medina del Campo, Villalón, and

¹¹⁰ Carlos Morales estimates that the share of ordinary royal incomes used to pay the interest that the *juros* generated rose from 30% to 70% between 1519 and 1556, thus showing the growing use of these titles of debt in the financial system. See Carlos Morales, *Felipe II*, 29.

¹¹¹ Henri Lapeyre, 'La Participation Des Genoïs Aux <<asientos>> de Charles Quint et de Philippe II', in *Atti Del Congresso Internazionale Di Studi Storici. Rapporti Genova-Mediterraneo-Atlántico Nell'Età Moderna* (Genova: Istituto di scienze storiche, 1983), 147–61; Felipe Ruiz Martín, 'Un Expediente Financiero Entre 1560 y 1575', *Moneda y Crédito*, no. 92 (1965): 3–58.

¹¹² The Council of Finances was established in 1523 in order to speed up the flows of funds in the entire monarchy. Alongside other royal institutions of financial control such as the *Contaduría Mayor de Hacienda*, the Council managed all the royal incomes and also the financial negotiations of the monarch. See the excellent monograph on the Council of Finances by Carlos Javier de Carlos Morales, *El Consejo de Hacienda de Castilla, 1523-1602: Patronazgo y Clientelismo En El Gobierno de Las Finanzas Reales Durante El Siglo XVI*, Estudios de Historia (Valladolid: Junta de Castilla y León, Consejería de Educación y Cultura, 1996).

Medina de Rioseco, and other realms of the sovereign. In this sense, it is possible to pinpoint in the following map some of the financial centres used for this primary market of royal debt within the borders and the area of influence of the Hispanic Monarchy.



Map 1. Main financial centres accessible to the Hispanic Monarchy in the mid-sixteenth century organised by 'state'. Triangle (Franche-Comté), squares (Republic of Genoa and Duchy of Parma, outside the Hispanic Monarchy), rhombuses (Kingdom of Castile), and pentagons (Habsburg Low Countries). Sources: Fernand Braudel, *The Wheels of Commerce* (1st English translation of 'Les Jeux de l'Échange', first published in 1979), vol. 2, *Civilization and Capitalism, 15th-18th Century* (University of California Press, 1992), 90, 394, 524; Cristóbal Espejo and Julián Paz, *Las antiguas ferias de Medina del Campo: investigación histórica acerca de ellas* (Valladolid: Editorial Maxtor, 2003).

Second, whereas the *asientos* generated short-term debt, the financial product called *juro* represented long-term debt. *Juros* could be either a reward or mercy for someone's services (*juro de merced*), or a credit instrument in the form of a leasing contract because the king had temporarily ceded part of his royal incomes to the title holder (*juro al quitar*). This variety can be dated back to the twelfth and thirteenth centuries in Castile, though most probably it was not created in this kingdom. Giuseppe Felloni believes that Genoese financiers introduced this credit innovation in Castile by emulating a similar title of debt called *compere* that they had created around the middle

of the twelfth century.¹¹³ This thesis seems correct because of the great evidence for the arrival and settlement of the Genoese diaspora in the Iberian Peninsula at around that century, after losing their entrepôts in the Black Sea.¹¹⁴

The *juro* as a credit instrument consisted of two parts: principal and interest. The first concept is still used today when referring to the price that the buyer had to pay for the title of debt. In exchange for their investment, debt holders periodically received an interest (*rendimiento*) based on the price of *juros* in the secondary market when these debt titles were transferable. The amount of this return depended upon the rate of interest established in the written document of the *juro*. The interest rate was established by the price of borrowing in the credit market, which was the result of many variables, such as the reputation of the lender, the sustainability and solvency of the borrower, the liquidity available in the market, the means of reimbursement, and the instalments agreed.

The royal suspensions of payments clearly made it difficult for the monarch to access private credit because of the loss of reputation. Although the question as to how the Hispanic sovereign managed to overcome this reputational factor during the crisis of 1557 is explored in depth in the following chapters, it is sufficient to say here that the actors working in financial system simply sought to find ways to generate liquidity for borrower and lenders. As long as the interests of the monarchy and the international lending community were aligned, the resulting liquidity of their deals served to keep servicing the debts with the lenders' creditors. In this sense, the difficulties the monarch had in paying back his debts were relatively easily overcome through a bargaining process that often resulted in modifications of *asientos* to facilitate the final reimbursement. In principle, nobody wanted the financial system to fail so they put all their efforts into keeping it healthy.

This shared interest of borrowers and lenders encouraged political bargaining between the king and the estates, which usually resulted in the enlargement of the royal

¹¹³ Giuseppe Felloni, ed., *La Casa di San Giorgio: il potere del credito: atti del convegno, Genova, 11 e 12 novembre 2004*, Atti della Società ligure di storia patria (1947), nuovaser., v. 46, fasc. 2 (Genova: Società ligure di storia patria, 2006).

¹¹⁴ On the settlement in the Iberian Peninsula of the Genoese diaspora and its early modern development see Enrique Otte, 'Il Ruolo Dei Genovesi Nella Spagna Del XV e XVI Secolo', *A. de Maddalena y H. Kellenbenz, La Repubblica Internazionale Del Denaro Tra XV e XVII Secolo, Bologna*, 1986, 17–56.

revenues. Both ordinary and extraordinary fiscal incomes were divided into two different budgets: *situado* and *consignado*. The *situado* was the part used to pay the interest on *juros*, which constituted the consolidated part of the debt. The *consignación*, however, was the part of a royal rent that was agreed in order to pay new debts, such as those arranged in the service contracts called *asientos*. These new credits were expected to be paid in the short-term, thus being called floating debt to distinguish it from long-term or consolidated debt.

Apart from their different timing, these two types of credit differed in the quality of the royal incomes assigned for their repayment. Since the royal earnings assigned to service the *situado* were more reliable both in collection and quantity, especially because they had been agreed with the cities, the other incomes intended to reimburse the floating debt were considered less reliable. The traditional example of the money coming in from the American fleet to the Peninsula is a clear instance of the importance of a debt backed by reliable taxes.

Since the fleet could be delayed or carry less capital than expected, it was risky for lenders to accept giving a credit backed by the American fleet. However, the possibility of rearranging the payments of the floating debt to include other royal incomes eased the process of negotiation needed to reach an agreement. In other words, the consolidated debt was safer than the floating one, though the flexibility of the royal administration to preserve its financial reputation made the latter debt a relatively safe investment. The biggest problem with floating debt for lenders was the timing, because the unreliability of the incomes assigned to its service could also delay the payment to their own creditors.

This system presented a serious difficulty for debt holders. The budget of the *situado* was untouchable because it backed the consolidated debt, which had to be serviced in time to preserve the reputation of this debt.¹¹⁵ If local treasurers failed to pay the interests of *juros*, it was necessary to amend the royal income in their service, just as happened with the floating debt.¹¹⁶ Notwithstanding the flexibility of the financial

¹¹⁵ Carlos Álvarez Nogal, 'Oferta y demanda de deuda pública en Castilla. Juros de alcabalas (1540-1740)', *Estudios de Historia Económica*, no. 55 (2009): 45.

¹¹⁶ Recent research states that the transference of a royal liability from one income to another to satisfy the lender was down to the monarch's good will. See Marcos Martín, "Crecimientos, reducciones y no

system of payments, the price and reputation of this financial product could lead to a decrease in primary and secondary markets of royal debt.¹¹⁷ This situation could hinder the monarch from accessing new loans because the reputation of his sustainable system of payments had fallen. Therefore, the correct liquidation of the interests of the *juros*' holders was paramount. In order to service them, the Council of Finances and the multiple central accounting offices managed the information about the identity of these people, which was used to deliver the orders of payment (*libranzas*) to the local treasurers.¹¹⁸ In this sense, the high-ranking institutions of the royal administration sought to preserve the royal reputation through the establishment of strong control over who should be paid and when.

The mathematical formula to obtain the interest (*rendimiento*) that these debt holders received is not often explained in the historiography.¹¹⁹ Instead of the percentages that we are used to working with nowadays, the *rendimiento* was calculated in Castilian maravedis and expressed in thousands per thousand (*miles al millar*). This interest ranged from 5,000 to 40,000 per thousand. For example, a *juro* at *10,000 al millar* meant that for every 10,000 maravedis invested as *principal*, the *juro*'s holder earned 1,000 maravedis periodically. However, sometimes the monarch decided to revalorise upward the principal necessary to treat the initial amount of money as interest in a process called *crecimiento*.

We can observe multiple examples of this practice in the sixteenth and seventeenth centuries. On 31st October 1563, for example, Philip II decreed a limit on the maximum interest rate of any *juro* sold of 7.14%. In order to apply this novelty, debt holders were requested to increase their investment in the principal of the *juro* to compensate the percental difference. Another important example took place on 26th January 1608, when Philip III decided that new debt titles could not generate more than

cabimientos de juros". Tres episodios de gestión irresponsable de la deuda pública consolidada en la España del siglo XVII', 555.

¹¹⁷ Primary market is here understood as the deals made between the monarch and the lenders, whereas the secondary market refers to the sale of royal debt intermediated by a lender to a third party.

¹¹⁸ Depending on the royal treasury, the payment of these interests was annual, biannual or quarterly. See Álvarez Nogal, 'Oferta y demanda de deuda pública en Castilla. Juros de alcabalas (1540-1740)', 46.

¹¹⁹ An exception in Irigoin and Grafe, 'Bounded Leviathan: Fiscal Constraints and Financial Development in the Early Modern Hispanic World', 10–12.

5% in interest.¹²⁰ In this sense, the aim of this practice was to keep interest rates of consolidated debt as low as possible so as to be able to pay them while keeping them attractive to investors and raising more money to refill royal liquidity.¹²¹ Nonetheless, there were only two choices left for the title holders when the monarch decreed a *crecimiento*.

The first option of the debt holder was to accept the new deal and increase the amount of money invested in their *juros* to match the necessary capital so as to keep receiving the same interest in terms of cash. A visual representation of this process can be found in figure 1, where a random *juro* purchased for 100,000 maravedis at an annual interest rate of 10% generated 1,000 maravedis per year. Once again, the process for understanding the mathematical operation used by Hispanic officials to calculate that percentage is expressed in maravedis per thousand, as already explained.

Therefore, when the monarch decreed that no *juro* could have an interest rate higher than 7.14% (or 14,000 maravedis per thousand), this meant that the sovereign was lowering the maximum percental rate. Following his instructions, the initial *juro* in this example had to be adjusted to a legal level. Since investors preferred to keep earning the regular stream of 10,000 maravedis per year thanks to the interest rate, an additional capital injection of 40,000 maravedis on the principal was necessary. As a result of this operation, the monarch earned an extra sum of money for the same product and the principal of the *juro* became 140,000 maravedis instead of the initial 100,000.

¹²⁰ On 8th October 1621 a new decree requested that not only were new *juros* affected by the interest limit but so were those already sold. See Alberto Marcos Martín, 'Deuda Pública, Fiscalidad y Arbitrios En La Corona de Castilla En Los Siglos XVI y XVII', in *Banca, Crédito y Capital. La Monarquía Hispanica y Los Antiguos Países Bajos (1505-1700)*, ed. Carmen Sanz Ayán and Bernardo José García García (Fundación Carlos Amberes, 2006), 373.

¹²¹ Marcos Martín, "'Crecimientos, reducciones y no cabimientos de juros". Tres episodios de gestión irresponsable de la deuda pública consolidada en la España del siglo XVII', 569–70.

$$\text{Initial juro} = \frac{\text{Principal of } 100,000 \text{ mrvs}}{10,000 \text{ (mrvs per thousand)}} \times 1,000 = 10,000 \text{ mrvs per year}$$

$$\text{Juro after crecimiento} = \frac{\text{Increased principal of } 140,000 \text{ mrvs}}{14,000 \text{ (mrvs per thousand)}} \times 1,000 = 10,000 \text{ mrvs per year}$$

Figure 1. Example of a juro initially purchased for 100,000 maravedis (mrvs) at an interest rate of 10% (10,000 mrvs/1000) on which a crecimiento process was applied, thus lowering the interest rate to 7.14% (14,000 mrvs/1000), forcing an increase in the capital invested up to 140,000 maravedis to keep receiving a regular interest of 10,000 maravedis per year.

The investor had another option, which consisted in asking the monarch for the reimbursement of their investment and the return of the debt title to the sovereign in a process called *desempeñar*. In this process, the debt holder was permitted to recover his capital while keeping the interests earned until that moment. There was no third option in which the investor could retain the *juro* at the initial terms unless the decree only affected those *juros* issued after its enactment, such as those between 1608 and 1621. In other words, the process of *desempeño* depended on the availability of funds in the royal treasury. Considering that a revalorisation of the titles of consolidated debt was a sign of scarce liquidity in the coffers of the monarchy, the process of reimbursement regarding the principal could be extremely lengthy. Therefore, it was very often more convenient to accept the price increase than return the investment of the *juro* to the monarch.

The lifetime of a *juro* was established in its letter of sale. A *juro* could be perpetual (*perpetuo*) and remain in the hands of its beneficiary without the possibility for the king to recover it unless the holder had committed serious offenses such as heresy or high treason (*lesa majestad*). Otherwise, if the title of debt was temporary and redeemable, it was called *juro al quitar*. In that case, the monarch could re-purchase them whenever he desired. These *juros* did not necessarily have a fixed term of duration. Indeed, they could last for the duration of a lifetime (*vitalicios*) or inheritable (*de heredad*). Moreover, a *juro* could also serve as collateral in financial transactions, the so-called *juros de caución*. This variant of the debt title was used to offer a guarantee on the short-term debt contract, which meant that they could not be enforced until the

king had failed in his obligations agreed in the *asiento*. In the second half of the sixteenth century, a new modality of *juros* was born: *juros de resguardo* and *juros de comodidad*.¹²² Both debt titles could be sold even before the monarch defaulted as they were transferable to third parties. The *juros de caución* were active until the first suspension of payments in April-June 1557, yet according to Ruiz Martín and Carlos Morales the *juros de resguardo* did not begin to be commercialised until 1561, just after the Medio General of 1560.¹²³

Between 1556 and 1559, the period under study in this thesis, the type of *juros* that the monarch issued were *juros al quitar*, which resulted from the old debts that he had contracted with the financiers since June 1557. These were issued to repay royal creditors and they also functioned as collateral. Those *juros* had the same finality as the *juros de resguardo*, but they were a different concept because while the *juros al quitar* were a mercy to repay old debts, the *juros de resguardo* reimbursed the financier in advance for the same *asiento* to which they were linked. It is worth mentioning another tool that was different from the *juros de resguardo* and *al quitar*, which Drelichman and Voth have recently proposed: the working capital.¹²⁴ This capital was a sum of money that the sovereign gave in advance to the businessman, who was tasked with searching for potential investors and discovering whether it was possible or not to raise enough funds from the sale of *juros*. As we can see, the Council of Finances always sought to accommodate financiers through the creation of new means of payment according to the circumstances.

¹²² The difference between these two debt titles, issued in the early 1560s, lays in the fact that the '*juros de comodidad*' were a sort of loan from the monarchy to help the lender accommodate his operations, whereas those '*de resguardo*' were debt titles that could be sold immediately. See more details in Carlos Morales, *Felipe II*, 93–94.

¹²³ Although Romano Canosa concluded that those *juros* were created in 1555, his observation was erroneous as these involved a different and extraordinary kind of contract. See Felipe Ruiz Martín, 'Las finanzas españolas durante el reinado de Felipe II (alternancias de participación que se ofrecieron para Francia)', *Hispania: Revista española de historia*, no. 2 (1968): 109–74; Carlos Morales, *Felipe II*, 91; Romano Canosa, *Banchieri genovesi e sovrani spagnoli tra Cinquecento e Seicento* (Roma: Sapere 2000, 1998).

¹²⁴ Drelichman and Voth, *Lending to the Borrower from Hell*, 203.

The secondary market of debt: upstream and downstream flows of credit

Notwithstanding the efforts of the royal administration and private financiers, there was a chronic scarcity of liquidity in many parts of the Hispanic Monarchy. This lack of cash generated upstream and downstream flows of credit to compensate for it. Fernand Braudel already noted in 1979 these processes of collecting private capital and forwarding it to meet the royal needs (upstream), while redirecting the returns to the investor in exchange for their investments (downstream).¹²⁵ The evidence that Braudel found was located within the context of the birth of capitalism. The eminent scholar claimed that when Genoese bankers agreed short-term loans with Philip II, they obtained liquidity by distributing shares of the royal reimbursements among Italian and Hispanic investors. The French historian thus realised the complex structure of money flows that fed the enterprises of the Hispanic monarchs.

Braudel mentioned having found lists of subscribers who had participated in the sales of *juros* in the *Archivo General de Simancas*, but he lamented not having noted their reference.¹²⁶ The capital that those subscribers provided to the king was then forwarded to Genoese financiers as their reimbursements, a repayment that sometimes was effected even before the financier had to fulfil his obligations elsewhere. The Genoese lending community, a pivotal element of this dissertation, managed these financial operations by placing *juros* in the secondary debt market thanks to intermediaries. Braudel, however, did not clarify whether these *juros* were part of the reimbursement of the principal or a collateral clause that guaranteed the repayment. Perhaps these variants encouraged him to compare these processes with the sale of public debt in the nineteenth century, though the Hispanic Monarchy cannot be identified as a modern state yet in the sixteenth century. Notwithstanding this important controversy, he opened an entire field of research into understanding the upstream and downstream flows of credit that still demands further investigation.

In this regard, the preference given to debt holders rather than to the intermediaries who facilitated the collection of the returns that the *juros* generated is still surprising.¹²⁷ Recently, Mauricio Drelichman and Hans-Joachim Voth reviewed the

¹²⁵ Braudel, *The Wheels of Commerce*, 2:386–88.

¹²⁶ *Ibid.*, 2:388.

¹²⁷ Álvarez Nogal, 'Oferta y demanda de deuda pública en Castilla. Juros de alcabalas (1540-1740)', 13.

flows of credit in their study on the royal renegotiation of 1596 and incorporated an important novelty worth mentioning.¹²⁸ Although they acknowledged the existence of the Braudelian lists of subscribers, they found consistent evidence about how the Genoese financiers diversified risks in their obligations as lenders through the sale of shares in the instalments in exchange for a fee. This strategy reduced the amount of capital that high-ranking financiers had to invest on their own behalf. Since Genoese financiers parcelled the investment out, they also diversified the risks of not being properly reimbursed, which were now shared with other investors.

In this sense, Drelichman and Voth realised how much detail the Genoese accounting books (*libri maestri*) could offer in future investigations. This excellent and complementary source of information recorded and organised all the operations of small capitalists. Finally, the two scholars also claim that the upstream flow was a private negotiation between the Genoese financier and a third party with whom they agreed the principal and the conditions of the royal reimbursement. However, the scarcity of accounting books and correspondence among financiers makes it difficult to generalise this aspect. This project, indeed, reflects how difficult it is to find and understand the social engagement between Genoese financiers and their creditors. In order to analyse this type of sources, it is necessary first to identify who invested in the secondary debt market, an aspect that has barely been dealt with in the relevant historiography and which demands an urgent shared database.

In this auxiliary market, the Genoese found the liquidity that they needed to fulfil their obligations. The literature of this field has revealed interesting aspects, investigated principally by Álvarez Nogal, that shed light on how the upstream and downstream flows of credit worked.¹²⁹ The first step consisted in the commercialisation of these *juros*, which determined how profitable they could be for a Genoese financier due to the premium obtained. The study of this process is complicated because the long-term bonds could be transferable in part or fully to third parties. In addition, the holder

¹²⁸ Their ideas were first published in a working paper before the publication of a more extensive book. See Mauricio Drelichman and Hans-Joachim Voth, 'Funding Empire: Risk, Diversification, and the Underwriting of Early Modern Sovereign Loans', SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, 6 July 2011); Drelichman and Voth, *Lending to the Borrower from Hell*.

¹²⁹ Álvarez Nogal, 'Oferta y demanda de deuda pública en Castilla. Juros de alcabalas (1540-1740)'.

of the debt title could ask for a change to the royal income that supported the *juro* if it stopped being profitable. Transferability and mobility, therefore, were crucial for achieving the commercialisation of this financial product and, thus, activated the machinery that funded the Hispanic Monarchy.

The sale of *juros* was a negotiation that could be direct or indirect.¹³⁰ In the former case, royal officials sold these debt titles when they attended commercial fairs or travelled around cities where they knew of the presence of potential buyers. The second option involved financiers, like the Genoese community, signing *asientos* with the monarch and having contacts with small investors. The following chapters of this thesis deal with this alternative method in order to analyse the Genoese upstream and downstream connections. Nevertheless, it can be observed that both Nicolao de Grimaldo and Costantin Gentil, the main subjects of this study, only contacted the investors and agreed price and instalments with them, but they did not necessarily collect the interest. This fact emphasises the multiplicity of services involved in a sale of *juros* and hampers the establishment of a unique model.

The work of Álvarez Nogal has also demonstrated that the sources of this secondary debt market present a two-faced profile. On the one hand, they can be practically endless at local level because they are mostly private contracts recorded in notarial deeds. Álvarez Nogal used this source, for example, to analyse *juros* earmarked on *alcabalas* and *tercias* (custom duties) of Burgos, Cádiz, and Murcia. His study is, therefore, based on a perspective from below and limited to two incomes already farmed within a specific geography at local level. In this sense, his investigation does not analyse this secondary debt market from the perspective of a Genoese financier who intermediated for its correct functioning, which is the methodology used in this thesis. On the other hand, the royal accounts on the sales of *juros* represent a methodological challenge because of the registration system. As a *juro* was a transferable privilege, the royal officials were only interested in the person who bought the share of the *juro* and nothing else.

¹³⁰ Although there were women among the people who acquired a *juros*, the presence of businessmen was much more common. See *ibid.*, 17–18.

The new holder had no obligation to be present in the correspondent treasury to collect the money generated from the interest of his income. As a result of this procedure, the person who collected the money through powers of attorney remains normally unknown in the royal sources. Unless a specific process of digging around in the sources is done, which is extremely time consuming and has unpredictable results because of the way the documents are organised, these collectors will always be overlooked. Throughout this thesis, there are examples of reports that show who collected the interest, which will let historians to start linking people in a sort of clientele. Although this information is quite valuable for a complete historical narrative, many additional sources such as the powers of attorney used in the collection are not normally preserved. The solution to this difficulty lies in the contrast between the royal sources and the local archives where notarial protocols are held. In other words, local archives allow for an in-depth investigation, which can reveal if those who visited the small treasuries were agents, relatives, or the holders who had acquired a share of the title of debt.

A final remark, also present in the work of Álvarez Nogal, refers to the limitations that the sources present regarding the place where those investors lived. This information does not always appear in the sources, but it is an essential requisite. In general terms, investors usually acquired *juros* that were taken out on their own city's taxes to avoid transport costs, travelling to distant treasuries, and also to have a better chance of influencing the treasurer. In other words, there was a need for reducing transaction costs. If the residence of the investor is missing, it is harder to know if the investor chose a nearby income or not. This relationship of 'closer treasury-higher benefit' has its exception to the rule in the existence of foreign holders of *juros* or holders living overseas.

The presence of the Genoese diaspora in Castile and Genoese investors in Genoa transforms that distant reality into something more complex.¹³¹ Alberto Tenenti and Francesco Poggi are the only scholars to have listed the royal incomes that the Genoese community held in the Hispanic Monarchy, though their analysis did not include how

¹³¹ Genoa was a territory outside of the royal fiscal system and, therefore, it was not possible for someone settled there to obtain a *juro*. Any operation from the Ligurian city, either to purchase the debt title or to collect its interest, required a larger pecuniary and social capital than if the holder lived in Castile.

those foreign investors received their *rendimientos*.¹³² In this sense, the existence of intermediaries is an option already accepted in the works of Drelichman and Voth.¹³³ Nonetheless, following their argument it is also possible that those investors in Genoa subdivided their *juros* even more by splitting their share among more people. Unfortunately, there is currently no theory to explain how those investors, so distant from each other in geographical terms, contacted one another.

Whilst the process of commercialisation and the sources of this secondary debt market are a field of study in their own right, the identity of those who purchased *juros*, or at least a share of them, is another. According to the traditional literature based on the works of Ruiz Martín and Conklin, the investors were predominantly Castilian.¹³⁴ Their profile was heterogeneous, but most of them were clergymen and civil servants, though there were also institutions such as councils or monasteries, as the following chapters illustrate. Although Ruiz Martín was right when he pointed out several years ago the wealth of those investors, recent studies prove that there were also people with much less economic capacity.¹³⁵ However, a new problem arises that the historiography has not yet resolved: how did these small investors obtain enough liquidity to participate in the great financing of the Hispanic Monarchy? A preliminary answer to this issue is addressed in this study, which presents examples of Genoese financiers, who lived at the royal court and advanced money on behalf of those small investors. A further analysis of the capacity of these people to obtain liquidity unveils where the money really came from.

Sometimes the old Genoese nobility used the liquidity of the new Genoese families (*nobili nuovi*).¹³⁶ This assumption contradicts the argument put forward by Pacini about endless factionalist confrontation in Genoese society. The proposal of

¹³² Francesco Poggi, 'Le Guerre Civili Di Genova, in Relazione Con Un Documento Economico-Finanziario Dell'anno 1576.', *Atti della Società Ligure di Storia Patria*, 54, fasc. 3 (1926): 1–173; Alberto Tenenti, 'Las Rentas de Los Genoveses En España a Comienzos Del Siglo XVII', in *Dinero y Crédito*, 1977, 207–48.

¹³³ According to these scholars, the traditional fee for intermediation services was 1% of the investment. See Drelichman and Voth, *Lending to the Borrower from Hell*, 193.

¹³⁴ Ruiz Martín, 'Las finanzas españolas durante el reinado de Felipe II (alternancias de participación que se ofrecieron para Francia)', 124; James Conklin, 'The Theory of Sovereign Debt and Spain under Philip II', *Journal of Political Economy* 106, no. 3 (1 June 1998): 491.

¹³⁵ Drelichman and Voth, 'Funding Empire', 21.

¹³⁶ This collaboration can also be observed in the galley providers. See Maréchaux, 'Instituciones Navales y Finanzas Internacionales', 173.

Álvarez Nogal, for example, offers a profile of wealthy buyers rather than small investors.¹³⁷ Unfortunately, there is not yet enough in-depth analysis available to discern whether those rich men and women were also financed by their own creditors, such as merchants or local artisans, or if they were the holders of liquidity in their local space. This historiographical void opens an innovative approach to the literature that deals with the scrutiny of local elites, independently of whether they were located within the territories of the Hispanic Monarchy or not. This thesis seeks to examine the financial participation of wealthy people and institutions as a key mechanism of the state construction through the correct working of the upstream and downstream flows of credit.

Suspension of payments:

Although the system allowed the monarch to drain as much liquidity as he could from his subjects through any means at his disposal, this process was not free of charge. The king, as it happens with any other borrower, had to reimburse his financial commitments. If the monarch failed to fulfil his obligations, the financial system collapsed. This is what the historiography has commonly described as a financial crisis.¹³⁸ The study of this concept within the Hispanic Monarchy has been dominated by its causes and effects in Castile, the economic heart of the monarchy. Still immersed in national studies, in the 1960s the classic literature was revisited to obtain a better understanding of the basic principles of these crises.¹³⁹ The main topic that scholars dealt with during that decade was the effect military constraints had on the royal capabilities, such as the chronic deficits that obliged it to increase the fiscal burden and borrow extensively. When the monarch suspended payments, the main objective was

¹³⁷ Álvarez Nogal, 'Oferta y demanda de deuda pública en Castilla. Juros de alcabalas (1540-1740)', 19.

¹³⁸ An extensive historiographical review of this concept as applied to the Hispanic Monarchy in Escribano Páez and García Montón, 'De gobernantes y deudas. Una década de producción historiográfica sobre la Castilla de los Austrias'.

¹³⁹ Domínguez Ortiz, *Política y hacienda de Felipe IV.*; Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*; Castillo Pintado, 'Los Juros de Castilla. Apogeo y Fin de Un Instrumento de Crédito'; Álvaro Castillo Pintado, 'Dette Flottante et Dette Consolidée En Espagne, de 1557 à 1600', *Annales. Histoire, Sciences Sociales* 18, no. 4 (1 July 1963): 745–59; Martín, 'Un Expediente Financiero Entre 1560 y 1575'; Ruiz Martín, 'Las finanzas españolas durante el reinado de Felipe II (alternancias de participación que se ofrecieron para Francia)'; Ramón Carande Thovar, *Carlos V y sus banqueros*, vol. 3: Los caminos del oro y de la plata, 3 vols (Barcelona: Crítica, 1987).

to obtain liquidity by recovering allocations (*consignaciones*) given to financiers as reimbursement for their services.

The 1970s followed the path opened in the previous decade with works more focused on understanding what the *medios generales* (general agreements) were.¹⁴⁰ The basic knowledge was already established, but the first signs of change began to appear when the interest shifted to the causes for the suspension of payments to royal lenders. To this decade belongs one of the first references to these crises as an expression of royal power rather than the result of an imbalance between incomes and expenses.¹⁴¹ According to this approach, the royal household sought to avoid financial oligopolies that could jeopardise the sustainability of the monarchy.

In the 1980s, the attention of Italian historians began to be drawn to the Castilian financial shocks. They were interested in discovering the effects of *medios generales* in Italy, when Hispanic territories in that peninsula were called to contribute.¹⁴² In addition, the concept of a royal anti-monopoly strategy developed in the 1970s was refined in this decade to analyse the bargaining capabilities of the financiers. This change in the literature revealed that the monarchy was not all powerful.¹⁴³ Some works, by contrast, put the focus on locating the agency of the military conflicts in the financial crises that affected all levels of Hispanic society.¹⁴⁴

During the following decade, the conflict remained at the centre of the picture, yet it was not only military. One classic author emphasised the social dimension of financial crises, in which the monarchy often played an active role to weaken strong

¹⁴⁰ Álvaro Castillo Pintado, “‘Decretos’ et ‘Medios Generales’ Dans Le Système Financier de La Castille. La Crise de 1596”, *Historie Économique Du Monde Méditerranéen, 1450-1650, Mélanges En L’honneur Du Fernand Braudel*, 1973, 137–44; Geoffrey Parker, *The Army of Flanders and the Spanish Road, 1567-1659: The Logistics of Spanish Victory and Defeat in the Low Countries’ Wars.*, First edition, Cambridge Studies in Early Modern History (Cambridge Eng: University Press, 1972), 150–51.

¹⁴¹ Felipe Ruiz Martín, ‘La Banca En España Hasta 1782’, in *El Banco de España. Una Historia Económica* (Madrid, 1970), 18–19.

¹⁴² Giovanni Muto, ‘Decretos e Medios Generales. La Gestione Delle Crisi Finanziarie Nell’Italia Spagnola’, in *La Repubblica Internazionale Del Denaro Tra XV e XVII Secolo*, ed. Aldo De Maddalena and Hermann Kellenbenz (Bologna, 1986).

¹⁴³ Enrica Neri, *Uomini d’affari e di governo tra Genova e Madrid: (secoli XVI e XVII)* (Milano: Vita e pensiero, 1989).

¹⁴⁴ Carmen Sanz Ayán, ‘El crédito de la corona y los hombres de negocios en los últimos años del reinado de Felipe IV’, *Cuadernos de historia moderna*, no. 9 (1988): 63–94; María José Rodríguez-Salgado, *The Changing Face of Empire: Charles V, Philip II and Habsburg Authority, 1551-1559* (Cambridge University Press, 1988).

groups of financiers.¹⁴⁵ If the monarch and his circle developed an aversion to the royal lenders, it was also true that the conflict affected the relationships between the sovereign and the estates (*cortes*).¹⁴⁶ As the royal debt was backed by negotiable incomes that Castilian cities forwarded to the king, the monarch sought to increase the ceiling of those subsidies. However, sometimes the causes of financial crises had to do with factional disputes at the royal court.¹⁴⁷

The works published in the 2000s and the 2010s have proposed new approaches to the suspensions of payments, especially due to the 2008-2013 global financial crisis. For example, one line of investigation argues that these episodes had a serial pattern as a result of economic policies framed by courtly struggles, though their goal was to keep spending.¹⁴⁸ Recently, some scholars have been paying more attention to the socio-political costs of the financial crises in the early modern Hispanic Monarchy, which are reflected in the municipal indebtedness of the Castilian cities.¹⁴⁹ Other studies, nonetheless, have developed more in-depth research lines already sketched in the previous decades, especially those that focused on the conflict between the monarch and the *cortes*.¹⁵⁰

Although the suspension of payments is a broad concept and it involves many aspects, all of them converge in that the excessive indebtedness of the monarch resulted from an imbalance between incomes and expenses.¹⁵¹ By reason of this inequity, the royal fiscal leverage was what determined the viability of the debts.¹⁵² The monarchy backed its liabilities with fiscal resources, ordinary and extraordinary, that were

¹⁴⁵ Felipe Ruiz Martín, *Pequeño Capitalismo, Gran Capitalismo: Simón Ruiz y Sus Negocios En Florencia*, Historia Del Mundo Moderno (Barcelona: Crítica, 1990); along the same lines Carmen Sanz Ayán, 'La estrategia de la monarquía en la suspensión de pagos del 96 y su "medio general"', in *Las sociedades ibéricas y el mar a finales del siglo XVI: Congreso Internacional*, vol. 2, 1998, 81–95.

¹⁴⁶ Gelabert González, *La bolsa del Rey*; Thompson, 'Castile: Polity, Fiscality, and Fiscal Crisis'.

¹⁴⁷ Carlos Javier de Carlos Morales, 'Política y Finanzas En El Siglo XVI El Gobierno Del Erario Real y El Consejo de Hacienda de Castilla, 1523-1602' (Universidad Autónoma de Madrid, 1994); Carlos Morales, *El Consejo de Hacienda de Castilla, 1523-1602*.

¹⁴⁸ Carlos Javier de Carlos Morales, 'Crisis financieras y deuda dinástica, 1557-1627', *Cuadernos de Historia Moderna* 42, no. 2 (2017): 506; these ideas were already posed in the late 2000s. See Carlos Morales, *El Precio Del Dinero Dinástico*, 2016; Carlos Morales, *Felipe II*.

¹⁴⁹ Escribano Páez and García Montón, 'De gobernantes y deudas. Una década de producción historiográfica sobre la Castilla de los Austrias', 389–95.

¹⁵⁰ Álvarez Nogal and Chamley, 'Philip II against the Cortes and the Credit Freeze of 1575-1577'.

¹⁵¹ Andrés Ucendo, 'Una Hacienda permanentemente endeudada', 71; Rafael Torres Sánchez, 'El miedo al déficit. La política de endeudamiento público de los Borbones en el siglo XVIII', 2015, 112.

¹⁵² Carlos Morales, 'Crisis financieras y deuda dinástica, 1557-1627', 521–22.

scattered around the monarchy. If they diminished or stagnated, a crisis followed. Of course, political negotiations to increase the fiscal capability of the monarch played an important role throughout the whole reign of the Habsburg dynasty, but more interesting was the use of the suspension of payments as a means to subjugate the fiscal resistance of Castilian cities.¹⁵³

After briefly describing the main lines of investigation into the suspensions of payments and their consequential financial crises, a lengthier explanation of the subject is necessary. Although the monarchy might be considered as a predator state that always sought liquidity to fund its enterprises, it was also obliged to give something in return. When the reimbursement did not take place, the financial upstream and downstream credit flows collapsed, and a crisis occurred. This event is known in the historiography as a royal default or bankruptcy, because the ruler was the agent that had borrowed more than he could support.¹⁵⁴

Philip II is generally considered as the first Habsburg monarch of the Hispanic Monarchy to default in April-June 1557.¹⁵⁵ The suspension of payments -or *suspensión de consignaciones* in contemporary jargon- was the process through which the monarch stopped payments of his short-term debt. It happened when the royal estate had no available incomes to allocate the reimbursements of these *asientos*. What followed this royal default was a conversion of the failed assets into long-term debt titles with a lower interest rate. This thesis follows the traditional understanding of these processes as Castillo Pintado had already explained them in 1963.¹⁵⁶ He claimed that royal defaults were nothing but forced consolidations of floating debt.

¹⁵³ Álvarez Nogal and Chamley, 'Philip II against the Cortes and the Credit Freeze of 1575-1577'.

¹⁵⁴ For an interesting chapter in line with this concept of bankruptcy, which still recognises alternative ways to define them, see Marcos Martín, 'Deuda Pública, Fiscalidad y Arbitrios En La Corona de Castilla En Los Siglos XVI y XVII', 352.

¹⁵⁵ Earlier examples in his family, such as Ferdinand the Catholic, have been taken into consideration in recent studies. See David Alonso García, 'Embargando Rentas, Desembargando Voluntades. La Suspensión de Libranzas de 1509 y El Régimen Fiscal de Castilla', *Cuadernos de Historia Moderna* 42, no. 2 (2017): 441–68.

¹⁵⁶ Castillo Pintado, 'Los Juros de Castilla. Apogeo y Fin de Un Instrumento de Crédito', 46; Castillo Pintado, 'Dette Flottante et Dette Consolidée En Espagne, de 1557 à 1600'.

Although the plan for debt conversion is a clear and undisputed concept, there is a marked discrepancy about its meaning in the historiography. This debate has provided three different perspectives. Giovanni Muto defended a first model in 1986 that focused on the causes of royal defaults. He asserted that the monarch borrowed more than he could afford, which provoked structural deficiencies in the royal estate to fulfil its debt commitments.¹⁵⁷ In other words, Muto talked about a crisis of solvency. Years later, in 2000, Álvarez Nogal proposed that the suspension of payments was a tool rather than a consequence.¹⁵⁸ The suspension of payments as an instrument served, thus, to reduce the creation of oligopolies of financiers who could penalise the king by settling together. However, only the expendable royal creditors were included in those suspensions since the others had important ongoing business with the monarch. Drelichman and Voth offered a third perspective in 2014. They state that the suspension of payments was a financial plan to restructure royal debt and make it more manageable, though the king could keep borrowing without declaring the default. In short, their proposal points to temporary crises of liquidity rather than crises of solvency or strategies of banishment.¹⁵⁹

In this thesis, the concept of suspension of payments is simply a tool, an opportunity to introduce the reader to a post-crisis period that, nonetheless, had long-term consequences for the state building process of the Hispanic Monarchy. However, this thesis follows the argument of Drelichman and Voth about the temporary royal crisis of liquidity because there were *asientos* signed just after the default and debt conversion, which obtained their reimbursement in recently freed royal incomes. Philip II's needs in the war against France and the Papacy did not permit him to stop borrowing, so the only solution was to free already earmarked incomes. In addition, the argument of Álvarez Nogal is also applicable because, given that the South German financiers such as the Fugger and Welser were the only excluded group, the royal default and debt consolidation can be understood as a tool to avoid the emergence of the Genoese oligopoly.

¹⁵⁷ Muto, 'Decretos e Medios Generales. La Gestione Delle Crisi Finanziarie Nell'Italia Spagnola', 278–79.

¹⁵⁸ Carlos Álvarez Nogal, 'La Estrategia de La Real Hacienda En La Negociación Del Crédito de Los Austrias', in *Dinero, Moneda y Crédito En La Monarquía Hispánica* (Marcial Pons: Fundación ICO, 2000), 453.

¹⁵⁹ Drelichman and Voth, *Lending to the Borrower from Hell*, 39.

Genoese strategies of financing

Drelichman and Voth have contributed to establishing the organisational concepts and strategies of negotiation that enabled Genoese lenders to establish themselves as the predominant royal financiers in the Hispanic Monarchy from 1557 onwards. They have proposed that the Genoese businessmen worked in 'coalition', a concept adapted from the classic study by Avner Greif about a group of Jewish merchants from the Maghreb in the eleventh century.¹⁶⁰ In Greif's words, a coalition is '*an economic institution in which expectations, implicit contractual relations, and a specific information-transmission mechanism supported the operation of a reputation mechanism*'. In this sense, the literature about the Genoese financial diaspora intermingles with institutional historiography. More specifically, the Genoese lending community can be considered as an informal institution in which norms, traditions, and especially reputational elements had a coercive effect among its members to avoid anyone cheating on the others.¹⁶¹

The Genoese coalition was first characterised by its tendency towards syndicated lending through the cooperation of different companies to offer big financial services.¹⁶² This strategy helped to reduce risks, which otherwise could lead to the bankruptcy of single lenders. Co-lending, however, was not necessarily related to capacity constraints but to intermarriage strategies since there were also large operations.¹⁶³ In terms of organisation, Genoese lending companies used to be formed by relatives, though not necessarily. This created a tacit alliance from which groups of overlapping financiers emerged.

The second element is represented in the collateral conditions that Genoese financiers demanded when they lent money to the monarch. These clauses backed the liquidity of the businessman, in case the monarch could not fulfil his obligations of reimbursement. These conditions of security were also accompanied by clear

¹⁶⁰ Ibid., 134; Avner Greif, 'Reputation and Coalitions in Medieval Trade: Evidence on the Maghribi Traders', *The Journal of Economic History* 49, no. 04 (1989): 857–82.

¹⁶¹ Avner Greif, 'Commitment, Coercion, and Markets: The Nature and Dynamics of Institutions Supporting Exchange' 2004; Keefer and Shirley, 'Formal versus Informal Institutions in Economic Development'.

¹⁶² Dyson, *States, Debt, and Power*, 140; Irigoin and Grafe, 'Bounded Leviathan: Fiscal Constraints and Financial Development in the Early Modern Hispanic World', 208.

¹⁶³ Drelichman and Voth, *Lending to the Borrower from Hell*, 165–66.

descriptions about how and when they could be executed. Most of these collateral clauses involved the issuance of *juros de caución* and, after 1561, *juros de resguardo*.¹⁶⁴ Apart from being a protective means, these conditions provided a trustworthy source of liquidity even before the sovereign was unable to meet the payments in the contract.

The third and final feature is the 'cheat-the-cheater enforcement' or internal discipline. It was applied to expel from the community any discordant or untrustworthy member who did not follow the rules. This method, already mentioned regarding the expansion of bills of exchange in the capital market, punished the cheaters and motivated the others to be loyal members of the community. Decades ago, Giorgio Doria established that the correspondence between businessmen was the key factor that made possible the existence of this discipline, though he found it in the merchant communities.¹⁶⁵ Although Drelichman and Voth affirm that the Genoese financiers were a close-knit group, this does not mean that these businessmen always collaborated conjointly. Indeed, the study by Ruth Pike contains a number of examples in which the Genoese merchants of Seville did not fully trust every member of their community.¹⁶⁶ There is, therefore, no contradiction in extending this argument to consider that this heterogeneous behaviour also occurred among financiers.

These three elements together meant that Genoese financiers were a close-knit group. Specifically, these businessmen worked by seeking reciprocal benefits when they lent money to the monarch and prevented internal difficulties with mechanisms of reputation and self-enforcement. The best advantage to syndicated lending was that they could act as a single lender. This characteristic was their best defence against any external threat, such as unexpected royal defaults. The Genoese financiers of Philip II were, indeed, able to establish a penalty against the king if he did not service his debts. The economist James Conklin studied this concept in his 1998 article on the 'bankruptcy

¹⁶⁴ Álvarez Nogal and Chamley, 'Debt Policy under Constraints', 9.

¹⁶⁵ Doria, 'Conoscenza del mercato e sistema informativo'.

¹⁶⁶ Take, for example, the early work of Ruth Pike about the Genoese role in the early commerce with America during its initial years. See Ruth Pike, *Enterprise and Adventure; the Genoese in Seville and the Opening of the New World*. (Ithaca, N.Y.: Cornell University Press, 1966).

of 1575'.¹⁶⁷ This penalty had, in turn, two coercive tools that the financiers could use against the king.

The first tool consisted of the threat posed by the Genoese royal financiers due to their traditional involvement in the commercial flows between Castile and the Habsburg Low Countries. The second was their capacity to paralyse, or at least obstruct, the credit supply to the monarch, even from non-Genoese providers. Through the analysis of these two coercive tools, Conklin concluded that Philip II was always forced to repay his debts. If he refused, he was likely to suffer cuts to his financial supply and commercial boycotts in wartime.

This approach seems to be fully applicable only in the context of conflict, when those penalties became a real problem due to the constant need for resources. Because of this specific condition, this thesis partially accepts the premise of Conklin. During the timeframe studied in this work, the war with France and the Papal States put Philip II in a weak position at the negotiating table with his lenders. However, the commercial threat is a rather naïve hypothesis to be taken seriously as the Genoese had other commercial businesses that were not necessarily connected with high finance.

In his analysis, Conklin also applied the theory of sovereign debt, which focuses on the role that reputation played for both lender and borrower. Drelichman and Voth have recently reviewed some of the main studies on this topic from the 1990s and early 2000s along these lines, thus providing a field of discussion about the relationship between reputation and the lending equilibrium.¹⁶⁸ They emphasise the different results for the lending stability if the reputations of borrowers, lenders, and reimbursement processes fall apart in three different scenarios. Although a bad borrower's reputation is typically considered as the main cause of a financial collapse due to unsustainable debt, it is perhaps more beneficial to look at the reputation of the lender instead for the case studies contained in this thesis. Rather than reflecting on the lenders' reputation as regards their capability to service their financial commitments, it

¹⁶⁷ Conklin, 'The Theory of Sovereign Debt and Spain under Philip II', 495–96; Drelichman and Voth disagree with Conklin on this concept of penalty as they do not see a financial boycott on the part of the Genoese but a political vacuum after the death of the governor-general. See Drelichman and Voth, *Lending to the Borrower from Hell*, 37.

¹⁶⁸ Drelichman and Voth, *Lending to the Borrower from Hell*, 141–43.

is more effective to check their ability to punish defaulting borrowers in order to retain the trust of their own creditors.

In this sense, these three scholars agree on the fact that if borrowers and lenders maintained a good reputation, their lending contracts would become self-enforcing, which means that there was no need to apply any penalty or coercion from any side. More specifically, according to Conklin the royal capability to sustain its debt was the principal element in determining whether to declare a suspension of payments or continue borrowing when reputation was asymmetrical. Conklin based his argument on the predictions and models developed by Bulow and Rogoff in the late 1980s, a work that has become a classic in this field of Economic History.¹⁶⁹

Bulow and Rogoff claimed that if the only threatening tool held by lenders was to stop lending, then they could anticipate a royal suspension of payments by cutting off the credit supply early, thus reducing losses.¹⁷⁰ Nevertheless, Conklin did not consider in his study that the royal capacity to keep healthy levels of sustainable debt also depended on the ability of lenders to finance the monarchy through the acquisition of *juros*. In other words, the preventive financial penalty that the Genoese could voluntarily exert by stopping lending is one thing. It is quite another thing for the lenders to be unable to continue lending because their capacities for collecting capital through the upstream and downstream flows had diminished.

To conclude this first part of the chapter, the main concepts concerning the Genoese upstream and downstream flows of credit in relation to the state-building process have been described. They explain how the secondary credit market was a privileged space where these processes took place within the Hispanic Monarchy, besides their interrelation with the structure and importance of royal incomes. All together established a debt ceiling for the king who, nonetheless, continued borrowing even after declaring a suspension of payments in the royal incomes earmarked to service his short-term debts. This decision and the following financial scenario tested the abilities of the Genoese to diversify risks, while increasing their collateral clauses to

¹⁶⁹ Cf. Jeremy I. Bulow and Kenneth Rogoff, 'Sovereign debt: is to forgive to forget?', Working Paper (National Bureau of Economic Research, June 1988).

¹⁷⁰ The theory that states that the Genoese took the initiative to suspend payments was already discussed by A. W. Lovett, 'The Castilian Bankruptcy of 1575', *The Historical Journal* 23, no. 4 (1980): 899–911.

obtain the maximum profit. Their syndicated lending and their connections with the principal economic nodes of the monarchy posed a serious threat to the monarchy, which facilitated the rapid recovery of the borrowing process after the royal financial restructuring. In sum, the Genoese lending strategy was well protected through an efficient organisation and an aggressive policy, which was widely backed by the Republic of Genoa.

1.2. The Republic of Genoa, its diaspora, and the Hispanic Monarchy: historiographical analysis of a perfect symbiosis

The Hispanic-Genoese encounter

The historiography of the association between the Hispanic Monarchy and the Republic of Genoa is clearly marked by the paradigm of ‘the Genoese century’, which was characterised by a generalised and predominant financial Genoese presence in the Hispanic Monarchy. Frank Spooner coined this concept in 1956, though it was originally inspired by the first edition of Braudel’s *La Méditerranée* published in 1949. Braudel established a chronological boundary that had an impact on later works, enclosing them in the financial operations of those businessmen.¹⁷¹ In this sense, the French historian pointed to the first royal suspension of payments in 1557 as the initial year of this historiographical period, while Spooner noted that the Genoese financial predominance in Europe lasted until the last quarter of the seventeenth century based on the inflow of precious metals to Genoa.¹⁷²

These boundary dates fluctuated, especially the year when this ‘Genoese century’ began.¹⁷³ Ruiz Martín, a disciple of Fernand Braudel, established the initial point in 1528 and its end in 1627.¹⁷⁴ The first year corresponds to the agreement for an alliance between the Hispanic Monarchy and the Republic of Genoa, whilst the second date

¹⁷¹ Fernand Braudel, *La Méditerranée et le monde méditerranéen à l’époque de Philippe II*. (Paris: Colin, 1949), 395; Spooner, *L’économie mondiale*, 21.

¹⁷² Spooner, *L’économie mondiale*, 38.

¹⁷³ Ruggiero Romano instead considered 1556, when Charles V divided his empire between his son Philip and his brother Ferdinand. This political division affected the traditional German financiers of the Crown (Fugger and Welser), whose predominance declined, thus giving way to the Genoese bankers. See Ruggiero Romano, ‘Banchieri Genovesi Alla Corte Di Filippo II’, *Rivista Storica Italiana*. LXI, no. 2 (1949): 242.

¹⁷⁴ Ruiz Martín wrote *El siglo de los genoveses en Castilla, 1528-1627*, an unpublished work that specifically addressed this concept. Quoted in Ruiz Martín, ‘Las finanzas españolas durante el reinado de Felipe II (alternancias de participación que se ofrecieron para Francia)’, 109.

refers to a royal suspension of payments that marked an impasse in Genoese financial predominance. Nowadays, historians still take these years as fundamental references, though it is generally agreed that the end of this period broadly exceeded 1627, as Spooner suggested.¹⁷⁵

It is clear, nonetheless, that the Genoese century is a cornerstone in the origins of modern capitalism. Braudel proclaimed this idea in his *The Wheels of Commerce*, where he pointed out that these initial steps were based on the mobilisation of accumulated capital from commercial enterprises.¹⁷⁶ In this sense, Braudel argued that the Genoese shift to royal finances was not a political decision resulting from alliances, but a private initiative that could choose between investing or hoarding liquidity. This historiographical line that emphasises the economic aspect of the Genoese society continued in the 1990s, with the study by Giovanni Arrighi.¹⁷⁷ His comparative analysis of cycles of capital accumulation reveals that the Genoese system of reinvestment was funded with the profits that the Ligurian merchant class had accumulated while the trade routes to the Black Sea were still open.

Enrique Otte had already discussed this commercial tradition and the Genoese retreat from the Black Sea due to Ottoman and Venetian competition, which had reoriented investments to North Africa and the Iberian Peninsula from the thirteenth century.¹⁷⁸ Arrighi affirms that this movement also produced a shift in the political exchange that the merchant strata had with the Genoese aristocracy. The latter provided military protection to the merchants as long as they benefited from the long-distance trade with the Mediterranean Levant. When this trade finished and the profits were reduced, the guarantors of protection retreated to their fiefs. Consequently, the Genoese merchants had to rely on Iberian lords for protection abroad. This new

¹⁷⁵ Sanz Ayán, *Un banquero en el Siglo de Oro*, 25.

¹⁷⁶ Braudel, *The Wheels of Commerce*, 2:386.

¹⁷⁷ Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London u.a.: Verso, 1994).

¹⁷⁸ Otte, 'Il Ruolo Dei Genovesi Nella Spagna Del XV e XVI Secolo', 18; a more recent and complete account of Genoese history in Dino Puncuh, ed., *Storia Di Genova: Mediterraneo, Europa, Atlantico* (Genova: Società ligure di storia patria, 2003); Kirk, *Genoa and the Sea*, 15.

agreement between Genoese merchants and the Iberian nobility for military support reduced the protection expenses and, thus, transaction costs.¹⁷⁹

The strategy of these proto-capitalists resulted in a golden age for the multilateral relationship between the Republic of Genoa, its diaspora, and the Christian kingdoms that later formed the core of the Hispanic Monarchy and were participating in an expansionist process of conquest over Andalusia and the Kingdom of Murcia. The historiography on these enterprising people identifies them with the ruling oligarchy of Genoa, a group of families that also led the Genoese diaspora in the different territories of the Hispanic Monarchy.¹⁸⁰ The study by Edoardo Grendi in 1975 on the origins of the kinship relations reveals this reality, which also explains that the political ennoblement of certain families in the Republic was due to the capital and cultural heritage that they achieved thanks to the shared effort of the whole family.¹⁸¹

The importance of the social structure of the Genoese republic for its relationship with the Hispanic Monarchy resulted in an innovative approach that mixed that structure with politics. In 1990, Arturo Pacini provided the first specialised account of the birth of this relationship through that new perspective.¹⁸² His argument claimed that the roots of this bond lay in 1528, when Charles V formed an alliance with the Republic of Genoa. Pacini detected a systematic factionalism within Genoese society, which led to chronic civil struggles and the intermittent tutelage of foreign powers even after the agreement with the Hispanic Monarchy was signed.

Genoa: the imperial aggregate

The political alliance of 1528 simply reinforced those pre-existing bonds with the territorial elites in Castile who, in return, also helped the Genoese merchant class to

¹⁷⁹ Genoese penetration into the Hispanic territories take place not only in the Iberian Peninsula, but also in the Italian realms. The standard text now is Céline Dauverd, *Imperial Ambition in the Early Modern Mediterranean: Genoese Merchants and the Spanish Crown* (New York, NY, USA: Cambridge University Press, 2015); In relation to the Iberian Peninsula, see the classic work of David Igual Luís and Germán Navarro Espinach, 'Los Genoveses En España En El Tránsito Del Siglo XV al XVI', *Historia. Instituciones. Documentos*, no. 24 (1997): 261–332.

¹⁸⁰ Some examples of these families are the Centurione, Doria, Grimaldi and Spinola.

¹⁸¹ Edoardo Grendi, 'Profilo storico degli alberghi genovesi', *Mélanges de l'Ecole française de Rome. Moyen-Age, Temps modernes* 87, no. 1 (1975): 274; Dino Puncuh explains the details of Genoese society in more depth and proposes three binomial groups characterised by social, religious, and political allegiance. See Puncuh, *Storia Di Genova*, 328.

¹⁸² Arturo Pacini, *I presupposti politici del 'secolo dei genovesi': la riforma del 1528* (Genova: Società ligure di storia patria, 1990).

overcome the military power of the landed aristocracy of Genoa.¹⁸³ In addition, the moneyed groups of the Republic were able to control politics with the political reform that followed the deal with the Hispanic Monarchy. This urban oligarchy embodied a social group composed of 28 families (*alberghi*) known as the old nobility (*nobili vecchi*), in contrast to other families (*nobili nuovi*) who rose against them in 1575 for control of the Republic. There is a tendency in some works to assert that the Genoese oligarchies and the Genoese diaspora were not two separate groups of people, but a consortium of business families.¹⁸⁴ However, there has been little discussion about the internal differences between these two groups.¹⁸⁵

This rivalry between the parties was quite interrelated with the economic development of Genoese society. Despite the damaging effects of this factionalism, which pursued the independence of the merchant Republic, Pacini also noted the reciprocal benefits that this political alliance offered to the Genoese polity and its diaspora.¹⁸⁶ While the former obtained military and diplomatic support, the latter gained a privileged position within the Hispanic markets. In exchange, the Republic and its diaspora supplied the Hispanic Monarchy with naval and financial backing.¹⁸⁷ In fact, the Genoese private navy was a crucial element in bridging the Iberian Peninsula and the Hispanic territories in Italy, thus ensuring the transport of bullion to the Duchy of Milan and the Kingdom of Naples.¹⁸⁸ This strategy also increased tensions in the already

¹⁸³ Notwithstanding the interests of the merchant social strata, this alliance primarily aimed to avoid the control of France over the Republic and preserve its independence. This main point was precisely the first clause of the contract of 1528 with Charles V. See an extract in Puncuh, *Storia Di Genova*, 344.

¹⁸⁴ Doria, 'Conoscenza del mercato e sistema informativo'; Drelichman and Voth, *Lending to the Borrower from Hell*.

¹⁸⁵ A recent example in Alejandro García Montón, 'Génova y El Atlántico (c.1650-1680): Emprendedores Mediterráneos Frente al Auge Del Capitalismo Del Norte' (European University Institute, 2014), 33.

¹⁸⁶ Arturo Pacini, 'Grandes Estrategias y Pequeñas Intrigas: Génova y La Monarquía Católica de Carlos V a Felipe II', *Hispania* 65, no. 219 (30 April 2005): 21–44.

¹⁸⁷ A practical example of this exchange of privileges and obligations can be observed in the *asiento* of the Genoese galleys, which provided the naval backing that the Hispanic Monarchy needed in the Mediterranean in exchange for, among other conditions, commercial benefits and fiscal exemptions. See Luca Lo Basso, 'Gli Asentisti Del Re. L'esercizio Privato Della Guerra Nelle Strategie Economiche Dei Genovesi (1528-1716)', *Mediterraneo in Armi (Secc. XV-XVIII)*, 2007, 401.

¹⁸⁸ Maréchaux, 'Instituciones Navales y Finanzas Internacionales', chaps 8–9.

polarised Mediterranean Sea between the Hispanic Monarchy and the Ottoman Empire.¹⁸⁹

The Republic also acted as buffer state between France and Italy and as a geostrategic gateway to Milan, an inland territory and, therefore, isolated from the rest of the monarchy. Altogether, this allowed the Republic of Genoa to restructure its internal organisation to stabilise the chronic social unrest, at least for roughly fifty years. This conglomerate of mutual benefits and obligations transformed the Republic of Genoa and its businessmen into what Herrero Sánchez defined in 2001 as an *imperial aggregate* of the Hispanic system.¹⁹⁰ In other words, the Republic of Genoa became a kind of protectorate with special rights for its citizens, even though it officially continued as an independent state.

Apart from the political and economic aspects of the Genoese oligarchy, the diaspora has also been an object of study in its own right. According to Recio Morales, the noble nature and the Catholic affiliation of the Genoese diaspora eased its insertion into the Hispanic territories.¹⁹¹ The former was an exclusive aspect of Genoese citizens, whilst the latter complemented a social profile that was very attractive and easy to adopt by the wealthy actors who controlled the local power in the Iberian Peninsula. The Genoese alliance with these local elites is a fundamental part of the upstream and downstream flows of credit, as will be shown in the second and third chapters. The elites, namely the nobility and religious institutions, held the local liquidity in the Hispanic Monarchy and, therefore, were of interest for the Genoese lenders.

In this sense, the Genoese knew very well what kind of people they should engage with, though sometimes there was resistance.¹⁹² Genoese marriage strategies

¹⁸⁹ This artificial division of the Mediterranean Sea was first discerned by Fernand Braudel in his work of the Mediterranean World in the Age of Philip II. For a more contemporary discussion, see Dauverd, *Imperial Ambition in the Early Modern Mediterranean*, 27.

¹⁹⁰ Manuel Herrero Sánchez, “Una República Mercantil En La Órbita de La Monarquía Católica (1528-1684). Hegemonía y Decadencia Del Agregado Hispano-Genovés”, in *Sardegna, Spagna e Stati Italiani Nell’Età Di Carlo V*, ed. Bruno Anatra and Francesco Manconi (Roma: Carocci, 2001).

¹⁹¹ Recio Morales presents an historiographical analysis of the foreign communities with a special emphasis on the Genoese diaspora. See Oscar Recio Morales, ‘Los extranjeros y la historiografía modernista’, *Cuadernos de Historia Moderna*, 2011, 41–42.

¹⁹² The case of the Murcian elites is paradigmatic in this sense. See Pedro Miralles Martínez and Sebastián Molina Puche, ‘Socios pero no parientes. Los límites de la promoción social de los comerciantes extranjeros en la Castilla moderna’, *Hispania* 67, no. 226 (2007): 455–86.

were a key element in ensuring the relation with those local elites.¹⁹³ Nevertheless, it is possible to distinguish two different behaviours of the Genoese diaspora, which highlights its model of informal institution. The richest and most powerful individuals of the diaspora tended to marry members of other prominent Genoese families, hopefully of higher rank and influence, while those who were less fortunate or had less to offer simply married with local native families. The latter would have to await until the next generation to arrange more favourable marriages and increase their social prestige within the community.¹⁹⁴

Herrero Sánchez has described these social strategies as a policy of integration within the territories of the Hispanic Monarchy where the Genoese diaspora had economic interests, primarily in the Kingdoms of Castile, Naples, and Sicily, and the Duchy of Milan.¹⁹⁵ His argument claims a dynamic relationship between the Genoese and their local hosts in which the former sought to transfer their cultural values and economic strategies whilst adapting to the native ones. In addition, the Genoese businessmen offered transnational capital based on extensive social networks through kinship and friendship bonds.¹⁹⁶

The presence of this concept of transnational capital in the literature for almost forty years and the lack of in-depth analyses about it simply illustrates how complicated

¹⁹³ Two recent examples of this literature in Enrique Soria Mesa, 'Poder Local y estrategias matrimoniales. Los genoveses en el reino de Granada (ss. XVI y XVII)', in *Génova y la monarquía hispánica (1528-1713)*, 2011, 21–46; Carmen Sanz Ayán, 'Octavio Centurión, I marqués de Monesterio. Un "híbrido" necesario en la monarquía hispánica de Felipe III y Felipe IV', in *Génova y la monarquía hispánica (1528-1713)*, vol. 2 (Società Ligure di Storia Patria, 2011), 860.

¹⁹⁴ A few examples of the former group in Sanz Ayán, *Un banquero en el Siglo de Oro*; Álvarez Nogal, Marsilio, and Basso, 'La rete finanziaria della famiglia Spinola'; Ildefonso Pulido Bueno, *La familia genovesa Centurión: (mercaderes diplomáticos y hombres de armas), al servicio de España, 1.380-1.680: una contribución a la defensa de la civilización occidental* (Huelva, 2004); the latter group is discussed in David Alonso García, 'Los Fornari y las rentas de Orán a comienzos del siglo XVI. Financiación del rey y negocio familiar', in *Los extranjeros en la España moderna: actas del I Coloquio Internacional, celebrado en Málaga del 28 al 30 de noviembre de 2002* (Ministerio de Ciencia e innovación, 2003), 101–12; José-Enrique López De Coca Castañer, 'Mercaderes genoveses en Málaga (1487-1516). Los hermanos Centurión e Ytalian', *Historia, Instituciones, Documentos* 7 (1980): 95.

¹⁹⁵ Manuel Herrero Sánchez, 'Génova y El Sistema Imperial Hispánico', in *La Monarquía de Las Naciones. Patria, Nación y Naturaleza En La Monarquía de España*, ed. A. Álvarez-Ossorio and B. García (Madrid, 2004), 542.

¹⁹⁶ Manuel Herrero Sánchez, 'La Red Genovesa Spínola y El Entramado Transnacional de Los Marqueses de Los Balbases al Servicio de La Monarquía Hispánica', in *Las Redes Del Imperio. Élités Sociales En La Articulación de La Monarquía Hispánica, 1492-1714* (Marcial Pons Historia, Universidad Pablo de Olavide, 2009), 110.

is its investigation.¹⁹⁷ The Genoese diaspora would not have invested simply in the acquisition of lands and offices, knightly habits or marriages to facilitate their integration into the local elites of the Hispanic territories. Instead, the Hispanic nobility adopted these Genoese businessmen in exchange for their material and social capital, which injected a renewed source of liquidity and investment for this social group. Thanks to these reciprocal strategies, the Ligurian merchant-financiers came to control, or at least participated in, key economic sectors such as the wool trade and fiscal operations like tax farming.¹⁹⁸

The Genoese diaspora and their integration into the local elites of the Hispanic Monarchy

These activities were complemented by the biggest Genoese business of all: financing the activities of the Hispanic royal agenda. The number of works on this topic is extensive and the main characteristics of the Genoese financial community were already described in the first part of this chapter (syndicated lending and internal discipline based on reputation). It is possible, nonetheless, to establish two levels of financing as observed by the historiography. The first is characterised by a small-medium scale that puts the focus on operations at the local level.¹⁹⁹ Although this local dimension is an indispensable part of the Genoese upstream and downstream flows of credit, the historiographical research on this aspect is clearly insufficient. However, it is generally agreed that these local financial transactions generated a surplus of capital that allowed some businessmen to become local bankers and, therefore, provide credit to native commercial enterprises, local institutions, and pious foundations. Among these activities, the Genoese financing of the American trade with sea loans has been an

¹⁹⁷ Although Trasselli does not call it as 'transnational capital', the concept was already present in Carmelo Trasselli, 'Los Genoveses En Sicilia y En Calabria Desde El Reinado de Carlos V Hasta La Guerra de Los Treinta Años', in *Actas Del I Coloquio Internacional de Historia Económica. Dinero y Crédito (Siglos XVI al XIX)*, ed. Alfonso Otazu y Llana (Madrid, 1978), 199.

¹⁹⁸ Some recent examples are Rafael María Girón Pascual, 'Los lavaderos de lana de Huéscar (Granada) y el comercio genovés en la edad moderna', in *Génova y la monarquía hispánica (1528-1713)*, 2011, 191–202; Rafael María Girón Pascual, "'Cruzando aceros". El comercio de espadas entre España e Italia en los siglos XVI y XVII', *Gladius: estudios sobre armas antiguas, armamento, arte militar y vida cultural en Oriente y Occidente*, no. 36 (2016): 161–79; Ben Youssef Garfia, 'A Genoese Merchant and Banker in the Kingdom of Naples'; Catia Brilli, *Genoese Trade and Migration in the Spanish Atlantic, 1700-1830*, 2016.

¹⁹⁹ López De Coca Castañer, 'Mercaderes genoveses en Málaga (1487-1516). Los hermanos Centurión e Ytalian'; Carlos Álvarez Nogal, 'Las compañías bancarias genovesas en Madrid a comienzos del siglo XVII', *Hispania: Revista española de historia* 65, no. 219 (2005): 67–90.

important topic in the literature since they were micro-credits for Castilian sailors who traded with Hispanic America in the sixteenth century.²⁰⁰

This kind of activities allowed the Genoese moneylenders to accumulate liquidity to participate in larger financial operations. A clarifying instance of these larger financial operations was the financing of local councils, which needed credit to undertake major investments. Tinoco Rubiales, for instance, provides an excellent example of the interrelation between the micro-loans and the financial operations with *juros* in Seville.²⁰¹ Another aspect that the low-profile Genoese moneylenders developed was their commitment to the larger policies of the Hispanic Monarchy. The financing of charitable works (hospitals, churches, orphanages, religious festivities) in Southern Italy to promote cultural unity before the Islamic threat has also been observed.²⁰² These activities at a local level reveal the reinforcement of symbiotic relations with local elites and the achievement of a good reputation among the Genoese lenders, who was often decied as usurers in the religious pulpits, nonetheless.

On the macro scale, the Genoese financing of the Hispanic Monarchy covers the largest part of the literature.²⁰³ Its historiography focuses on aspects such as the internal organisation of the Genoese financiers or the liquidity available to the monarch in relation to the royal suspensions of payments. It must be remembered that the king financed himself through short-term loans (*asientos*) that were often partially

²⁰⁰ Antonio-Miguel Bernal and Isabel Martínez Ruiz, *La Financiación de La Carrera de Indias (1492-1824): Dinero y Crédito En El Comercio Colonial Español Con América* (Sevilla: Fundación El Monte, 1992), 166–69.

²⁰¹ The council of Seville received credit from its local bankers to acquire royal long-term debt (*juros*). See Santiago Tinoco Rubiales, 'Rey, Ciudad, Crédito: Iniciativas y Restablecimiento de Los Bancos Públicos En Sevilla (1578-1582)', in *Dinero, Moneda y Crédito En La Monarquía Hispánica* (Marcial Pons : Fundación ICO, 2000), 698.

²⁰² Dauverd, *Imperial Ambition in the Early Modern Mediterranean*.

²⁰³ A recent historiographical analysis of this issue in David Alonso García, 'Genoveses En La Corte, Poder Financiero y Administracion En Tiempos de Carlos V', in *Génova y La Monarquía Hispánica (1528-1713)*, vol. 1, 2 vols (Società Ligure di Storia Patria, 2011), 251–78. Some classic examples for every reign organised in chronological order in Ramón Carande Thovar, *Carlos V y sus banqueros*, 3 (1947-1967) vols (Barcelona: Crítica, 1987); Carlos Javier de Carlos Morales, 'Felipe II y Sus Banqueros', in *Banca, Crédito y Capital. La Monarquía Hispanica y Los Antiguos Países Bajos (1505-1700)* (Fundación Carlos Amberes, 2006), 329–44; Carmen Sanz Ayán, *Un banquero en el Siglo de Oro: Octavio Centurión, el financiero de los Austrias* (Madrid: La esfera de los libros, 2015); Nunziatella Alessandrini, 'La Presenza Genovese a Lisbona Negli Anni Dell'unione Delle Corone (1580-1640)', in *Génova y La Monarquía Hispánica (1528-1713)*, vol. 1, 2 vols (Società Ligure di Storia Patria, 2011), 73–98; Carlos Álvarez Nogal, 'El poder de los banqueros genoveses en la corte de Felipe IV', in *Centros de poder italianos en la monarquía hispánica (siglos XV-XVIII)*, vol. 2 (Polifemo, 2010), 1095–1124; Carmen Sanz Ayán, *Los banqueros de Carlos II* (Valladolid, España: Universidad de Valladolid, Secretariado de Publicaciones, 1988).

reimbursed by issuing royal long-term debt (*juros*). A plan for debt conversion emerged when the monarch declared a suspension of payments on his *asientos* and the instalments scheduled to repay the lenders, most of them Genoese, were transformed into *juros*. All royal debts, either short-term or long-term, were earmarked to royal incomes.

As the Genoese financiers based their enterprises on royal incomes, their control over the territory gave them greater knowledge of how profitable a royal earning could be. In this sense, the vertical economic integration covered the control of the productive means, their taxation, and their capitalisation, which helps to broaden Giorgio Doria's argument about Genoese flows of information.²⁰⁴ Although Doria's early work applied to commercial strategies, it revealed the constant communication within the Genoese community based on an uninterrupted correspondence as key to their success. His argument works for merchants as well as financiers, notwithstanding the scarcity of many of the letter books (*copialettere*) of these businessmen in the modern archives.²⁰⁵ Doria offered a perspective from below about how the Genoese were successfully integrated into the Hispanic territories. These information flows allowed the Genoese diaspora to establish networks of reporters in different spaces, which helped them to calculate the risk of lending money to the monarch and the real condition of royal rents.

Sometimes the Genoese lenders were told that there were no more royal incomes available for the allocation of new debt, which warned them of an impending royal suspension of payments with the consequent implementation of debt conversion. This consolidation of debt generated losses to bankers in general, and to the Genoese lenders in particular, who saw their symbiotic relation with the Hispanic Monarchy threatened.²⁰⁶ Drelichman and Voth believe that the monarchy simply suffered temporary crises of liquidity, which means that the monarch could still pay his debts.²⁰⁷ In other words, their argument suggests a royal strategy to restructure the royal estate

²⁰⁴ Doria, 'Conoscenza del mercato e sistema informativo', 107–8.

²⁰⁵ The examples of businessmen whose archives have survived offer interesting results of a depth rarely applicable to the Genoese diaspora. See for example Vieira Ribeiro, *Early Modern Trading Networks in Europe*.

²⁰⁶ Pacini, 'Grandes Estrategias y Pequeñas Intrigas'.

²⁰⁷ Drelichman and Voth, *Lending to the Borrower from Hell*.

so as to improve the royal sustainability and conditions of royal financing before creditors such as the Genoese bankers.

Lenders would absorb the consequences of the debt consolidation and, even though they lost money, they continued lending capital to the king because it was profitable. The main opposition to this argument came from Nogal and Chamley, who criticised Drelichman and Voth for underestimating the profitability of short-term contracts for bankers.²⁰⁸ Indeed, that profitability was higher than initially calculated because of the diversification of risks that the Genoese financiers undertook. This debate led to a revival of the historiography on upstream and downstream flows of credit in recent years.

Profitability was a decisive element for the continuation of the Hispanic-Genoese symbiosis. The Genoese diaspora benefited from lending to the Spanish monarch, while the Republic of Genoa backed the political efforts of the monarchy in Europe. The Genoese bankers differed from other moneylenders because they diversified risks through the sale of shares in their obligations, which provided them with liquidity once they allocated *juros* to private investors after the reform of 1557. These novelties in the financial system encouraged the traditional idea that Genoese financiers used the capital of someone else to fund royal enterprises.²⁰⁹ Their social capital not only extended to prospective investors and colleagues, but also to royal officers at a local level that could help the lenders ensure the profitability of the *juros* that they placed in the secondary debt market. This collaboration, however, resulted in illegal alliances that were prosecuted, and hence new laws and institutions were enforced to prevent public fraud.

Fraud and trust through the business of *juros*

The Genoese integration into the Hispanic markets through their collaboration with local elites affected both the upstream and downstream financing processes.²¹⁰ As has already been stressed in the first section, the correct functioning of the secondary

²⁰⁸ A description of the critique can be found in Mauricio Drelichman and Hans-Joachim Voth, 'Duplication without Constraints: Álvarez-Nogal and Chamley's Analysis of Debt Policy under Philip II', *The Economic History Review* 69, no. 3 (2016): 999–1006.

²⁰⁹ Ruiz Martín, *Pequeño Capitalismo, Gran Capitalismo*, 13.

²¹⁰ On the integrative function developed by local elites and institutions within a regime of 'jurisdictional fragmentation', see Grafe, *Distant Tyranny*, 72.

credit market was dependent on the collaboration of the treasurer responsible for paying, a field scarcely studied in the literature.²¹¹ The collaboration of the treasurers was not always easy to secure because treasurers or tax farmers of the royal income were often somehow interconnected with local elites and had private interests around that specific source of income. Nonetheless, the treasurers were supervised by the Castilian Council of Finances in terms of information and the two accounting offices (*Contaduría Mayor de Hacienda* and *Contaduría Mayor de Cuentas*) regarding the disbursement of funds. In this regard, treasurers did not know how much they had to pay until the moment the *rendimientos* had to be disbursed.

This system aimed at eradicating internal corruption among the treasuries, as they were also in charge of the fiscal collection. Extra information on their side could have led to fraud and a deviation of funds towards their private interests. Disobedience was also an alternative to fraud. Alonso García supports this idea since treasurers, tax collectors, and tax farmers were responsible for making the payments, even if they had not received the funds yet.²¹² This means that if a treasurer did not have enough money, for whatever reason, he was still legally responsible for making the payment when required.

In addition, those treasurers had to issue letters of payment to the *juro*'s holder in order to justify and confirm the correct payment before the royal council. As a consequence, the Council of Finances had the faculty to decide the moment when and the person who would receive the *rendimiento*, besides knowing when and how much would be paid. That system of control was vertical and not devoid of corruption and fraud.²¹³ The privileged position of some officials of finances with respect to other local treasurers encouraged the abuse of the latter by the former as to when and who would be paid first. These problems discouraged potential credit investors, as these practices increased the variabilities for knowing when one could receive the interest. To

²¹¹ Álvarez Nogal, 'Oferta y demanda de deuda pública en Castilla. Juros de alcabalas (1540-1740)', 45.

²¹² Alonso García, *El erario del reino*, 90.

²¹³ An excellent approach to this topic and the problem associated with the concept of 'corruption' in Francisco Andújar Castillo, Antonio Feros, and Pilar Ponce Leiva, 'Corrupción y Mecanismos de Control En La Monarquía Hispánica: Una Revisión Crítica', *Tiempos Modernos: Revista Electrónica de Historia Moderna* 35, no. 2017/2 (2017): 284–311.

counteract the effects of this uncertainty, Genoese integration into the territory was essential for the correct functioning of the secondary debt market.

Studies on the relationship between the Genoese diaspora and local elites from a local perspective have demonstrated that there was neither an immediate collaboration nor a strong resistance that could result in uncontested trust. In this sense, Céline Dauverd concludes that only the merchant element of the diaspora enjoyed royal favour, which was always the best incentive for improving the relations between them and local elites.²¹⁴ Notwithstanding this argument, the work by Girón Pascual on Genoese merchants in the Kingdom of Granada demonstrates that there is no unitary model for understanding the diaspora-local elites relationship.²¹⁵ Indeed, his study proposes a form of collaboration with local elites supported in patronage systems and mutual debts rather than royal favour. This relationship was marked by the mutual benefits that both Genoese businessmen and local oligarchs could obtain. However, they were legally linked through their mutual liabilities, which was a form of coercion to sustain the relationship.

The Genoese participation in the distribution of *juros* through the secondary debt market reveals that this relationship system was indispensable. Genoese brokers created a bond of trust with local investors and intermediaries who sought a regular extra income in the form of this credit means, which enhanced their own finances to act as financial intermediaries to third parties. They collected these earnings until the monarch decided to repay his debt to the investors, which meant the reimbursement of the *principal* to the bondholder. Therefore, a *juro* was a trustworthy asset if the monarch serviced it. The literature on this secondary debt market is clear in this respect.

The loss of trust in these *juros* marked the end of the Genoese apogee, which had taken place by the middle of the seventeenth century.²¹⁶ The monarchy had started

²¹⁴ Céline Dauverd, 'The Genoese in the Kingdom of Naples: Between Viceroy's Buon Governo and Habsburg Expansion', in *Génova y La Monarquía Hispánica (1528-1713)*, vol. 1, 2 vols (Società Ligure di Storia Patria, 2011), 279–302.

²¹⁵ Rafael María Girón Pascual, 'Las Indias de Génova: Mercaderes Genoveses En El Reino de Granada Durante La Edad Moderna (Ss. XVI-XVIII)' (Universidad de Granada, 2013), 227–29.

²¹⁶ Marcos Martín, '"Crecimientos, reducciones y no cabimientos de juros". Tres episodios de gestión irresponsable de la deuda pública consolidada en la España del siglo XVII'; Álvarez Nogal, 'La rentabilidad de los juros de Castilla en el siglo XVII'; Álvarez Nogal, 'Los genoveses y la incautación del interés de los juros de Castilla en 1634'.

to introduce new taxes on the *rendimientos* through measures such as the *crecimientos* or the *media anata*, which reduced interest rates and forced investors to compensate for the principal on this unbalanced instrument to keep receiving their usual interest.²¹⁷ Accordingly, scholars have observed that the military effort was a formidable variable that affected the value of investing in long-term bonds because it lay behind most of the fiscal innovations.²¹⁸ The succession of royal suspensions of payments and the consequent plans for debt consolidation simply culminated in the erosion of trust while also diminishing the royal capacity to issue new debt, as its allocation progressively led to uncertain revenues.²¹⁹ Because of these changes to the conditions of the *juros*, the private demand for this financial product sharply contracted and the circulation of capital slowed from the first quarter of the seventeenth century because they could not be sold.

The Genoese became progressively less able to provide new loans given the lack of interest among investors, while a new group of financiers began to shine: the Sephardic community.²²⁰ These bankers moved to Portugal at the end of the fifteenth century and later to the Habsburg Low Countries in search of religious toleration. They started to replace the Genoese lenders around 1627 thanks to the support of the Count-Duke of Olivares, favourite minister of the Hispanic ruler Philip IV. The shift between lending communities and the financial underscoring of the Hispanic Monarchy went together with the end of the great fairs of exchange and the growing political tension between the monarchy and the Genoese republic.²²¹

The seventeenth century also witnessed the demise of the Hispanic armies in Europe and the resulting disappearance of the protection that the Hispanic monarchs

²¹⁷ Domínguez Ortiz, Antonio, 'Juros y Censos En Castilla Del Seiscientos: Una Sociedad de Rentistas', 792–94; Álvarez Nogal, 'La rentabilidad de los juros de Castilla en el siglo XVII', 106.

²¹⁸ Marcos Martín, 'Deuda pública, mercado crediticio y actividad económica en la Castilla del siglo XVII', 141.

²¹⁹ An example of this fear of uncertain incomes can already be seen in the sixteenth century with the *juros* earmarked for the Casa de la Contratación of Seville. See Felipe Ruiz Martín, 'Un expediente financiero entre 1560 y 1575', *Moneda y crédito*, no. 92 (1965): 3–58.

²²⁰ An analysis of this community around 1640 in Sanz Ayán, *Los banqueros y la crisis de la Monarquía Hispánica de 1640*, 41.

²²¹ An early analysis of the volume of business in the exchange fairs and its decline in the first half of the seventeenth century can be observed in the work of Giuseppe Felloni, who also noted the reorientation of the Genoese capital to other states. See Giuseppe Felloni, 'Asientos, Juros y Ferias de Cambio Desde El Observatorio Genovés', in *Dinero y Crédito (Siglos XVI al XIX)*, 1978, 335–59.

had offered to the merchant republic in the past. The historiography has also followed this dismantling of the Hispanic-Genoese relationship, emphasising the role that a succession of political disagreements and the wars against Louis XIV of France played.²²² The French bombardment of the port of Genoa in 1684 may be seen as the decisive point in the end of this symbiotic relationship that had lasted over a century.²²³

Conclusions

This chapter has analysed the literature about the political and financial relationship between the Hispanic Monarchy and the Republic of Genoa in the early modern period in the context of the current historiographical debates on the formation of early modern states. The outcomes of this research show that the Hispanic-Genoese military alliance of 1528 between Charles V and Andrea Doria was not the trigger for their symbiotic association, but the result of a long-term process of social integration in which the Genoese diaspora, and not the other way around, invested its social and economic capital to gain access to key spaces of power in the Hispanic Monarchy. Although trade was the initial main economic field in which the Genoese prospered, the Ligurian community clearly stood out in terms of finances.

The literature on the role of the Genoese community in the finances of the Hispanic Monarchy is prolific, especially when examining the ability of Genoese businessmen to fund the enterprises of Hispanic sovereigns through contracts called *asientos*. Scholars have often focused on the strategies these lenders employed to comply with their financial liabilities. A sense of homogeneity has emerged from that literature when it analyses patterns of syndicated lending based on mechanisms of reputation. The apparent Genoese unity, discussed in the second part of this dissertation to argue that competition and collaboration co-existed in the Genoese coalition, reflects the influence of institutional historiography on the internal organisation of informal institutions.

²²² Thomas Allison Kirk, 'The Apogee of the Hispano-Genoese Bond, 1576-1627', *Hispania: Revista Española de Historia* 65, no. 219 (2005): 57–61; Thomas Allison Kirk, 'La Crisi Del 1654 Come Indicatore Del Nuovo Equilibrio Mediterraneo', *Atti Della Società Ligure Di Storia Patria, Nuova Serie* 51, no. 1 (2011): 527–38.

²²³ Herrero Sánchez, 'Génova y El Sistema Imperial Hispánico', 193.

In effect, the financial and commercial dealings of the Genoese lending community in the Hispanic Monarchy demonstrate the ability of informal institutions to reduce transaction costs and promote economic development in large polities. In this sense, this thesis challenges North's classic assumption regarding the capacity constraints of informal institutions to operate beyond local markets. The findings of Greif and Hoffman on the organisation of informal institutions and the role of notaries in channelling private credit in the late-medieval and early modern periods have inspired the argument in the following chapters that the Genoese lending community contributed to the state consolidation through its financial strategies and social capital.

The ability of the Genoese diaspora to permeate the multiple social and administrative layers that composed the Hispanic Monarchy, from humble merchants to the powerful royal ministers and local elites, helped to interconnect the dispersed territories of the Hispanic Monarchy. The apparent inability of the royal administration, which can be considered as a large organisation of formal institutions, to extract and forward resources from the multiple territories of the Hispanic Monarchy made the services of the Genoese community necessary in order to obtain the collaboration of the actual administrators of the fiscal means that funded royal credit – local elites.

Thanks to the services of the Genoese community, therefore, it was possible to create efficient upstream and downstream flows of credit that fuelled both the needs of the Hispanic Monarchy and the aspirations of local elites and small capitalists through the distribution of bonds of long-term debt called *juros*. Genoese lenders turned into the financial intermediaries of this process, which channelled all those intertwined 'state' and local interests through a secondary debt market that experienced its apogee during second half of the sixteenth century. While the Hispanic sovereign borrowed large sums to finance his military and political commitments on the international scene, Genoese financiers benefited from distributing *juros* allocated on reliable royal incomes collected near bondholders. As a result of this collective achievement, the Republic of Genoa became an imperial aggregate thanks to its international role in the Habsburg-Valois conflict and the financial agency of its diaspora for the correct functioning of the Hispanic Monarchy. In other words, Genoa remained independent but was integrated into the Hispanic society, economy, and administration. This sort of political union is still

a historiographical field that requires further research, especially regarding the role of Genoese high-ranking administrators rather than private entrepreneurs in the Hispanic Monarchy.

Notwithstanding the Genoese success in the sixteenth century, the following decades brought those flows of credit based on trust to an end. The Genoese diaspora had generously benefited from refinancing debt on the royal estate, a situation that ended when the levels of sustainable and solvent indebtedness were finally overcome. Genoese financiers, who enriched the elites of the monarchy and serviced the needs of the sovereign, had engaged in too many credits and every new loan now required extra collateral clauses from the borrower to ensure the reliability of the system. Throughout the seventeenth century, the monarch started to notice the weakness of the financial structure and his own inability to service his obligations with bondholders and their brokers. Therefore, the upstream and downstream flows of credit stopped, and new sources of capital were required to replace the old ones. The resulting financial shock progressively distanced the Genoese diaspora from its position of *de facto* monopoly in the finances of the monarchy, which raises questions about whether these financial intermediaries were an indispensable element in the process of state construction.

However, while those Genoese flows of credit functioned, the monarchy deployed an international policy in which elites and small investors in the monarchy benefited through the convergence of their agendas, which made them participants in the consolidation of the early modern state. The concentration of royal debt in the hands of local elites made them the guarantors of liquidity in the long term. As long as the monarch paid the interest on the *juros*, local elites had a trustworthy source of regular income to re-invest at a local level, which contributed to the development of regional economies. In other words, thanks to the Genoese financiers, noble families and religious institutions became the bankers of their cities and urban spaces. Anybody willing to develop an economic activity or infrastructure that required a large injection of capital had to resort to these elites in search of funding. This chapter has stressed the need for further research regarding the relation between non-state actors and the process of state construction, whose agency was intermediated by the Genoese lending community. The last chapter of this thesis illustrates how these guardians of local

liquidity can be traced and how they interacted with Genoese financiers at the royal court and with the lowest social strata, thus complementing this approach to the state-building process through the upstream and downstream flows of credit.

Chapter 2: Suspension of payments and the reactivation of credit

'being our treasure as it is now, we have determined and decided to make account with all the merchants on their repayments and interests, entirely until the end of the last year 1556, and whatever it amounted to must be provided to them in juros at 20,000 maravedis per thousand'

(Philip II, King of Spain, to his royal accountants. London, 17th April 1557; translated from old Castilian)²²⁴

The above extract is part of the letter that the sovereign of the Hispanic Monarchy sent to his royal accountants in the kingdom of Castile on 17th April 1557 with instructions to consolidate his short-term debt with royal lenders and issue them long-term debt bonds in exchange. Philip II was in England at that moment in an attempt to obtain financial, material, and diplomatic support from that kingdom in the war against the league of France and the Papal States.²²⁵ The royal decision to consolidate Philip's debts was the outcome of failed negotiations with numerous polities in his patrimonial domains to provide him with additional funding for the ongoing war. Whereas no money was expected from England, nobody in Castile wanted to buy jurisdictions in royal domain, and the Habsburg Low Countries were financially exhausted after conceding an extraordinary aid to Philip II in 1556.²²⁶ The Italian realms, on the other hand, had been financing the military response to the French expedition of the duke of Guise since January 1557, which consumed all the resources available.²²⁷

Apart from the European states that threatened the Hispanic Monarchy, the Ottoman Empire and its allies in the northern coast of Africa would periodically raid the shores of the western Mediterranean Sea. Notwithstanding the Ottoman victories in the Danube region, the conquest of Tunisia by Charles V and the outbreak of war against

²²⁴ Philip II, 'AGS, EST, Leg. 810, 85' (Letter, London, 17 April 1557) [translated into English]; the full transcription of this letter can be found in Carlos Javier de Carlos Morales, *El Precio Del Dinero Dinástico: Endeudamiento y Crisis Financieras En La España de Los Austrias, 1557-1647. Vol. 2* (Banco de España, 2016), 14.

²²⁵ Parker, *Imprudent King*, 52; Philip II managed to involve the English realm in the war through its declaration of war against France in early June. See Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 924', Letter, (6 July 1557).

²²⁶ Koenigsberger, *Monarchies, States Generals and Parliaments*, 185.

²²⁷ Shaw, *The Italian Wars, 1494-1559*, 264–70.

Venice in the 1530s resulted in an alliance with France to stop Habsburg expansionism, which still endured in the late 1550s.²²⁸ Conflict is, therefore, a substantial element of this chapter.

The territorial dispersal of the Hispanic Monarchy hindered the mobilisation of financial and material resources. The ability to upkeep armies and navies during the early modern centuries is a much-debated issue in the historiography, which has generated many publications on the rise of the fiscal-military state.²²⁹ War thus became the catalyst for state creation and the channel for the promotion of the people involved in the mobilisation of resources from institutions both inside and outside of it. While this chapter analyses the strategies and interests of medium-ranking officials inside the royal administration of the Hispanic Monarchy, the following chapter complements this approach to this type of early modern state-builder by focusing on high-ranking officials.

The structure of this chapter is organised into three parts and two case studies. The first section sketches the long path until the king decided to create the *Factoría General*, stressing the importance of the conflict with the Castilian regency and the agency of the war with France and the Pope to channel the private agenda of the first medium-ranking official to be analysed: Juan Suárez de Carvajal, bishop of Lugo. The second part explains the role of the second subject of study, the *factor general* López del Campo, in the political and financial struggle of the monarchy. Finally, multiple elements are brought together in the third section of this chapter to analyse the earliest stages in the first suspension of payments of Philip II from the perspective of the royal administration. The goal of this structure is to demonstrate that medium-ranking state-builders participated incidentally in the process of state construction. The first debt consolidation of Philip II is thus examined to shed light on the initiatives and personal interests of those officials who were central to the institutional, social, and economic cohesion of the Hispanic Monarchy.

²²⁸ Colin Imber, *The Ottoman Empire, 1300-1650: The Structure of Power* (New York: Palgrave Macmillan, 2002), 51.

²²⁹ Some important examples for the Hispanic Monarchy, in particular, and Europe, in general, in Rafael Torres Sánchez and Patrick Karl O'Brien, *Constructing a Fiscal-Military State in Eighteenth-Century Spain* (Palgrave Macmillan, 2015); Glete, *War and the State in Early Modern Europe*.

2.1. The Hispanic Monarchy and its medium-ranking officials: the role of Juan Suárez de Carvajal in the financial reform

When the still prince Philip left the Iberian realms for England on 13th July 1554 to marry its queen, Mary Tudor, he instructed his sister Joanna of Austria to act as regent of his kingdoms during his absence.²³⁰ Within the following two years, emperor Charles V abdicated in favour of his son Philip, granting him rule over the Iberian titles, Naples, Sicily and the Netherlands.²³¹ During this period, princess Joanna remained in Castile administering a very unstable treasury, while the recently appointed king Philip II began to demand subsidies from her to fund his war against France.²³² The apparently endless war that emperor Charles V had been waging against Henry II of France for political prominence in western Europe had turned the Habsburg Low Countries, the Savoy-Milan corridor, and the kingdom of Naples into huge theatres of war. Philip II assumed his father's commitments and conflicts with the rule of his new estates.²³³ This inheritance, notwithstanding its greatness, created problems for a royal treasury already unable to provide enough funds for the ongoing war.²³⁴

Nevertheless, Philip II was not the only one in need of additional funding because of the excessive loans that his father had taken out. Henry II had also been contending with financial shortages since 1553 due to the outstanding debts of his father Francis I.²³⁵ Although France was one of the most unified monarchies in Europe and it had the largest share of taxpayers compared to other contemporary states, Henry II was unable to pay the accumulated interests of his debts with private financiers.²³⁶ Throughout the second half of 1555, the French monarch decreed the consolidation of his floating debt, a decision that Philip II followed just two years later.²³⁷ The taxes that the French king collected from his subjects were not enough to keep borrowing to fund

²³⁰ Joanna was returning from Portugal after marrying Prince João, who had died in January that year. She left their child, Sebastian, in Portugal when returned to Castile. See Parker, *Imprudent King*, 45.

²³¹ The Council of State acknowledged the transmission of powers in Castile by March 1556. See Council of State to Philip II, 'AGS, EST, Leg. 112, 70', Letter, (22 March 1556).

²³² Parker, *Imprudent King*, 50.

²³³ An excellent monograph about the war on all its fronts in Rodríguez-Salgado, *The Changing Face of Empire*.

²³⁴ Carlos Morales, 'Felipe II y Sus Banqueros', 331.

²³⁵ Tracy, *Emperor Charles V, Impresario of War*, 95.

²³⁶ Yun-Casalilla and O'Brien, *The Rise of Fiscal States*, 93.

²³⁷ Rodríguez-Salgado, *The Changing Face of Empire*, 149–50.

the ongoing war. With the two monarchs financially overwhelmed by their respective debts, a truce was agreed in Vaucelles on 5th February 1556 for five years.²³⁸

The news of peace quickly reached the Italian territories, where officials from both parties were deployed. In Siena, for example, the delay between the original agreement and the proclamation of the truce enforced the restoration of any gains and losses during that period.²³⁹ More interestingly, the council of Genoa rapidly published the truce and warned that any offenders who broke it would be severely punished.²⁴⁰ This announcement concerned two different aspects of the Genoese agenda at that moment. On the one hand, the council intentionally claimed the Republic of Genoa as part of that truce, which was a public recognition that Genoa was one of Philip II's closest allies. On the other hand, the announcement notified the main lending houses of the Republic of the changing political conditions, which directly affected the interest rates that bankers imposed on the French and Hispanic monarchs and the reimbursements of their principal. War was good for lenders, but only if borrowers could afford their services.

Notwithstanding this ceasefire, the truce was indeed an armed peace, the goal of which was to reorganise finances and forces so as to resume hostilities when in a better shape. In fact, the War Council in Castile decided not to send all the troops to the frontiers because there was a distrust of France, which had broken truces before without notice.²⁴¹ Although a resolution was sought to reduce the financial burden on the royal treasuries, it was costly to upkeep the remaining garrisons. The Council dismissed first the German mercenaries in Naples, Siena, and Piedmont, causing a general unrest because the French armies in the Italian Peninsula had not withdrawn a single soldier.²⁴²

²³⁸ Shaw, *The Italian Wars, 1494-1559*, 263.

²³⁹ A copy of the clauses signed between Francisco de Mendoza y Bobadilla, bishop of Burgos, and his French counterpart in the truce between Spain and France in 'AGS, EST, Leg. 1385, 79' (Agreement, Siena, 14 May 1556).

²⁴⁰ 'AGS, EST, Leg. 1385, 53: Publication by the Signoria of Genoa about the Truce between Spain and France' (Genoa, 23 March 1556).

²⁴¹ Joanna of Austria to Philip II, 'AGS, EST, Leg. 112, 111', Letter, (28 May 1556).

²⁴² Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1385, 11', Letter, (17 April 1556).

Despite this asymmetrical disarmament, the Hispanic royal finances were in a precarious state in the following months, with the deficit still at average levels. The relationship between incomes and expenses was the source of most of the problems. Figure 2 provides a glimpse of the evolution of the marginal funds the king managed in order to satisfy his floating debt (grey line), thus providing a measure of his liquidity to service it. The consolidated debt increased slowly until 1556, when it escalated in relation to the debt consolidation of 1557. The year 1556 marked the very beginning of what became a financial transformation that increased the monarch's margins for borrowing, though his marginal funds to pay floating debt diminished substantially.



Figure 2: Evolution of the balance of payments between 1552 and 1559 (in ducats). Sources: Ulloa, *La Hacienda Real de Castilla En Tiempos de Felipe II*, 130.

In June, the regent Joanna warned Philip II that only his return to Castile could save the situation.²⁴³ Although Charles V had designated Philip II as his successor, he still had to swear on his will to protect the estates of each kingdom. However, the need for the oath hid other intentions. Regent Joanna wanted to summon the *cortes* of Castile to seek the best way to redeem the royal estate. Doubtlessly, she was hoping for a negotiation with the urban elites of Castile to apply a fiscal increase that could lighten the financial burden of the king, something that would have to wait until 1559, when Philip II returned to Castile and retook direct control of the royal finances. In the meantime, the Hispanic ambassador in Genoa reported on the penalty that Genoese

²⁴³ Joanna of Austria to Philip II, 'AGS, EST, Leg. 114, 80', Letter, (13 June 1556).

lending houses were enforcing against Philip II until he paid his debts.²⁴⁴ No more loans or financial services would be offered until the monarch repaid his arrears.

In addition to this restriction of credit, France broke the truce in Italy, which confirmed the suspicions of the Castilian ministers about an ongoing informal war. In July, the duke of Alva sent reports from Naples to the regent Joanna informing her that French troops were breaking the pact, though there was no formal resumption of hostilities yet.²⁴⁵ Indeed, the situation was more worrying than expected, as the duke alerted Joanna of three additional problems that required immediate liquidity boosts. First, the marquis of Pescara, who oversaw the Duchy of Milan until Alva returned, had no funds to pay his troops.²⁴⁶ Consequently, the military scattered around the territory were looting villages that were progressively abandoned. Fearing a civil revolt that could cause a breach in a key stronghold of the monarchy, the duke urged that funds be sent.

Second, the Republic of Siena, administered by the cardinal of Burgos, also needed money to pay the troops stationed there.²⁴⁷ The cardinal of Burgos was desperately seeking private financial means in Genoa because the soldiers were demanding that their salaries be paid.²⁴⁸ Nevertheless, the accumulated debts of the monarch were too large and it was impossible to repay them, in total or partially, in Castile. This lack of royal liquidity to repay debts generated discontent among Genoese financiers, who did not hesitate again to penalise Philip II by refusing to lend even a single '*real*' until they were paid. Therefore, they did not wish to lend any money or issue

²⁴⁴ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, 1385, 82', Letter, (27 May 1556).

²⁴⁵ 'They will observe the truce when they cannot find an opportunity to break it to their advantage'. See Duke of Alva to Joanna of Austria, 'AGS, EST, Leg. 114, 242-244', Letter, (17 July 1556).

²⁴⁶ Two regiments mutinied in January and February of that year. Francisco Fernando de Ávalos, Marquis of Pescara, was barely able to take control of the situation. In the previous year he had to lend 20,000 escudos from his wife's dowry (worth 30,000 escudos) to pay the troops stationed in Lombardy. His endless efforts to keep the Duchy safe from the French army led by Brissac were ultimately fruitless. See Nicoletta Bazzano, 'Diccionario Biográfico Español (RAH): Francisco Fernando de Dávalos de Aquino y de Aragona', accessed 5 August 2019, <http://dbe.rah.es/biografias/10497/francisco-fernando-de-davalos-de-aquino-y-de-aragona>.

²⁴⁷ Francisco de Mendoza y Bobadilla, Cardinal of Burgos, was an important ambassador of the Hispanic Monarchy. Before his appointment to Siena, he had represented the interests of Charles V in Rome as cardinal since 1550. See Arturo Llín Chafer, 'Mendoza y Bobadilla, Francisco De', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/33103/francisco-de-mendoza-y-bobadilla>.

²⁴⁸ The Hispanic ambassador in Genoa managed the delivery of funds to the Cardinal through asientos. An example in Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1385, 76', Letter, (23 May 1556).

bills of exchange.²⁴⁹ This financial blockade affected the whole situation in the Italian domains, especially because of the recent problems in Siena.

In an attempt to save the situation, the cardinal took private loans from Genoese lenders and backed them with his own estate.²⁵⁰ This action, similar to that of the marquis of Pescara in 1555, must be understood as part of the royal service, even though the royal servant risked his or her own patrimony. The king's officials linked their fates to the royal debt, making them an essential part of the state-building process.²⁵¹ This pattern is confirmed in the repeated behaviour of other royal servants that will be introduced later in this thesis, such as the *factor general* López del Campo. This official backed loans to Philip II with his, and even his friends' properties. In this sense, there was no separation between private and public property.

Third, Paliano, a fortress that controlled the only valley along the route from Naples to Rome, was being fortified by Pope Paul IV.²⁵² It was evident that the Holy See would ally with the French armies and the duke of Ferrara to conquer Naples, thus reducing Hispanic influence in Italy and recovering the traditional position that the family of Paul IV, the Carafa, had enjoyed in the southern kingdom.²⁵³ In this regard, the Papal strategy posed a double threat to the monarchy. The military force of a combined army represented a direct offensive, whereas indirectly, the Pope had requested that every potentate in Italy expel Hispanic subjects from their lands.²⁵⁴

The duke of Alva quickly tried to counteract the Papal plot by sending his own delegates to convince the Italian sovereigns of the good intentions of Philip II and asking them to encourage the Pope to end his military plans.²⁵⁵ In addition, the duke departed from Naples to Genoa in July that year. The Hispanic ambassador in Genoa reported to

²⁴⁹ The financial restraints were continuous, so the Cardinal of Burgos complained vehemently to the ambassador in Genoa, who reported that the clergyman would 'kill him' (sic) unless he obtained funds. See Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1385, 75', Letter, (6 November 1556).

²⁵⁰ Duke of Alva to Joanna of Austria, 'AGS, EST, Leg. 114, 242-244'.

²⁵¹ A recent work on this topic in Escribano-Páez, 'Juan Rena and the Construction of the Hispanic Monarchy (1500-1540)'.

²⁵² A more detailed narrative about the Italian war of 1547-1559, including the classic literature, in Shaw, *The Italian Wars, 1494-1559*, chap. 7.

²⁵³ More details about this conflict in the third chapter.

²⁵⁴ 'He wrote and sent men to all the rulers of Italy to convince them against Your Majesty, persuading them to expel the Spaniards from Italy', in Duke of Alva to Joanna of Austria, 'AGS, EST, Leg. 114, 242-244'.

²⁵⁵ Duke of Alva to Joanna of Austria, 'AGS, EST, Leg. 144, 234', Letter, (30 August 1556).

the king that Alva had little hope of obtaining peace and was ready to launch a campaign against Rome. In August, he had already recruited 10,500 men and was waiting for 8,500 more from Tuscany and Genoa. In sum, the duke would invade Lazio with 19,000 soldiers plus artillery. The logistics that Alva needed to undertake this extremely expensive enterprise required the agency of multiple people, ranging from military staff to financiers, diplomats, and politicians. The military organisation of the campaign needed funding that Philip II was unable to provide fully, which obliged the royal officials to arrange *asientos* with Genoese lenders at almost any cost.²⁵⁶

The problem was that the monarch could not fulfil all his obligations at the fairs of Castile, thus restraining his credit. It was time for the Hispanic ambassador in Genoa to intercede once again to try to convince the regency to accept and service the reimbursements. This political negotiation generated a parallel effort in his correspondence with Philip II, in which the diplomat urged the king to force the regency to fulfil its financial obligations. Once the regency passed these matters and satisfied the financial demands of the royal lenders, the Genoese lending houses were able to collect enough capital from independent investors who were expecting short-term earnings to offer new money exchanges. In short, the military campaign of the duke of Alva would not have been possible without the collaboration of high-ranking (e.g. the regent Joanna, cardinal of Burgos) and medium-ranking officials (e.g. ambassador Suárez de Figueroa), whose private agendas converged to serve the king. These multilateral relations were one of the essential elements that gave form to the Hispanic Monarchy as an early modern state.

Leaving aside the role of high-ranking officials, whose participation and strategies in the state-building process are discussed in the third chapter, medium-ranking officials can offer valuable examples of how influential they could be in shaping the state through their support or disapproval of the actions of other actors. The struggle for an ecclesiastical subsidy, the *dos quartas*, from the Castilian high clergy to the Hispanic monarch between mid-1555 and mid-1556 illustrates this theoretical proposal.

²⁵⁶ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1385, 17-18', Letter, (2 May 1556); a detailed analysis about these lenders in chapters 3 and 4.

Castilian high clergy did not only organise the spiritual relief and social cohesion of the subjects of the monarchy in their dioceses, but they also collected taxes that were later partially forwarded to the king on Papal approval. Although the ecclesiastical estate had collaborated with Charles V since the beginning of his reign, the relationship between the monarchy and these ecclesiastical powerholders deteriorated significantly over the decades. The origins of their conflict lay mainly in the use of subsidies, which were intended to be spent in the war against the infidel lords in the northern coast of Africa and the Ottoman Empire. The financial constraints of the Hispanic Monarchy during the intermittent wars with France had made those subsidies a regular income rather than an extraordinary contribution.²⁵⁷

In 1554, for example, prince Philip and the regent Joanna sent orders to the marquis of Sarria, the Hispanic ambassador in Rome, regarding the concession of the Papal approval for the collection of *dos quartas* in Castile.²⁵⁸ Philip and Joanna had already earmarked the reimbursements from some money exchanges to that subsidy, thus considering it an expectable and regular income as it had been in the past.²⁵⁹ Julius III, the pope at that time, made the concession in October 1554, which introduced an entire institutional mechanism of enforcement. However, the Papal bull did not arrive in Castile until January 1555. The bishop of Lugo, Juan Suárez de Carvajal, was appointed general administrator (*Comisario General*) for the collection. From his position as a medium-ranking official of the Hispanic administration, Suárez de Carvajal pursued his own personal goals through service to the monarchy.²⁶⁰

Suárez de Carvajal owed the start of his career in the royal administration to the support of his patron and father-in-law García de Loaysa, general administrator of another Papal subsidy called the *cruzada* in the late 1530s. Once Loaysa died in 1546,

²⁵⁷ Together with the extraordinary subsidies conceded by the Castilian estates, ecclesiastical contributions were used to pay the principal in *asientos* to fund military campaigns. Their use to service the interest of long-term debt, however, was exceptional. See Carlos Morales, *El Precio Del Dinero Dinástico*, 2016, 37.

²⁵⁸ Sean T. Perrone, *Charles V and the Castilian Assembly of the Clergy Negotiations for the Ecclesiastical Subsidy*, Studies in the History of Christian Traditions (Leiden: Brill, 2008), 199.

²⁵⁹ News about this *asiento* signed by the Milanese lending house of Affetati with the royal administration in Joanna of Austria to Charles V, 'AGS, EST, Leg. 109, 292', Letter, (10 February 1555).

²⁶⁰ The following details about his career have been extracted from his biography. See Henar Pizarro Llorente, 'Suárez de Carvajal, Juan', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/17031/juan-suarez-de-carvajal>.

Suárez de Carvajal was appointed his successor as general administrator of the Papal concessions thanks to the recommendation of his new patron: the powerful secretary Francisco de los Cobos. At that stage of his career, Suárez de Carvajal was already a member of the Council of Finances, having succeeded the former president of that institution, Jerónimo Suárez de Maldonado.²⁶¹ During his double tenure, Suárez de Carvajal sought alternative sources of income to protect the Papal concessions from misuse by Charles V and high-ranking officials.

In 1554, the year in which prince Philip and the regent Joanna demanded a new Papal concession, Suárez de Carvajal was dismissed from the Council of Finances as the result of an ongoing factional struggle at court. After his dismissal, the Bishop of Lugo realised he had failed in his attempts to join either the incipient Ebolist (reformist) and imperialist (conservative) factions.²⁶² The secretary Juan Vázquez de Molina, one of the heads of the imperialist group in Castile, was in conflict with Suárez de Carvajal regarding their role in the administration of royal finances.²⁶³ The origins of their enmity lay in the protective policy of Suárez de Carvajal towards the ecclesiastical concessions, which hindered Vázquez de Molina in fulfilling his duties to the royal administration.

Suárez de Carvajal's resistance to providing any of the income at his disposal obliged Vázquez de Molina to seek alternative income to fund the ongoing conflicts of Charles V. This situation began when the secretary had returned to Castile in 1545 to help his relative, Francisco de los Cobos, in his final years. When Cobos died in 1547, Vázquez de Molina inherited his obligations and concerns regarding the precarious state of the royal finances together with his role as secretary in the Council of Finances.²⁶⁴ The struggle between Suárez de Carvajal and Vázquez de Molina was, therefore, personal as well as factional because of the political allegiance of the latter. In their struggle, it is possible to observe two medium-ranking officials who were in conflict because of their

²⁶¹ Carlos Javier de Carlos Morales, 'Suárez de Maldonado, Jerónimo', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/17030/jeronimo-suarez-de-maldonado>.

²⁶² José Martínez Millán, ed., *Instituciones y Elites de Poder En La Monarquía Hispana Durante El Siglo XVI*, Colección de Bolsillo 19 (Madrid: Ediciones de la Universidad Autónoma de Madrid, 1992), 112, footnote 20.

²⁶³ Pizarro Llorente, 'Suárez de Carvajal, Juan'.

²⁶⁴ Adela Tarifa Fernández, 'Vázquez de Molina, Juan', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/21382/juan-vazquez-de-molina>.

personal agendas and who channelled their strategies through their actions in the royal administration.

Suárez de Carvajal's inflexibility towards the use of Papal concessions and the enmity between him and Vázquez de Molina resulted in his being removed from the Council of Finances in 1554.²⁶⁵ The Bishop of Lugo no longer had any support in the court of the regent and he still had the difficult task of administering the new Papal subsidy. The actions of Suárez de Carvajal in the following months, which were the total opposite of his traditional policy of protecting the concessions from misuse in the European wars, demonstrate that the bishop wanted to recover his position and influence at the court. In other words, his personal agenda motivated the adaptation of his strategies, depending on the circumstances.

In this sense, the election by the papacy of Suárez de Carvajal to administer the bull made him the target of the initial protests sent to him by the Castilian high clergy in February 1555. The objections of the chapters followed the traditional complaint against Suárez de Carvajal, namely that the subsidies be considered as regular income rather than an extraordinary contribution to the fight against the enemies of Christendom. Juan Martínez Silíceo, archbishop of Toledo and former preceptor of Prince Philip, led the resistance and called a meeting of the other chapters of Castile in Valladolid on 20th June with the aim of discussing their contribution.²⁶⁶

Although Suárez de Carvajal acknowledged the resistance of the high clergy and their demands, he could not tolerate an unfavourable outcome from that meeting. The bishop of Lugo employed two different strategies that were also common to high-ranking officials in the royal administration. First, Suárez de Carvajal sent orders to confiscate the accounting books of the chapters in order to apportion the contributions and arrest any clergyman who resisted. Second, the bishop bargained with the representatives of the chapters individually, offering them salaries and better advantages for their dioceses when they were already in Valladolid before the meeting.²⁶⁷ The strategy of Suárez de Carvajal, therefore, was based on early coercion

²⁶⁵ Martínez Millán, *Instituciones y Elites de Poder En La Monarquía Hispana Durante El Siglo XVI*, 112.

²⁶⁶ Perrone, *Charles V and the Castilian Assembly of the Clergy Negotiations for the Ecclesiastical Subsidy*, 200.

²⁶⁷ *Ibid.*, 200–201.

and individual negotiation to compel the representatives attending the meeting to collaborate rather than resist.

The representatives finally met on 25th June in Valladolid and initiated the procedures to discuss the Papal concession with the royal representatives. The regent's government appointed Antonio de Fonseca (president of the Royal Council), Vázquez de Molina, and Suárez de Carvajal to oversee the negotiations with the ecclesiastical potentates. These three men represented the three groups of influence at the royal court: Ebolists or reformist (Fonseca); Imperial or conservative (Vázquez de Molina); and non-aligned (Suárez de Carvajal).²⁶⁸ Apart from the factional differences, Vázquez de Molina and Suárez de Carvajal already had their own personal conflict. In this sense, the royal negotiating board was personally divided but institutionally united to achieve a positive answer from the ecclesiastical assembly regarding the Papal subsidy.

The negotiations finished on 21st October, when the representatives returned to their chapters after four months of an expensive institutional struggle.²⁶⁹ During their time in Valladolid, the delegates agreed that the Bishop of Lugo should withdraw his policy and release some of the clergymen who had resisted the sequestration of the accounting books of the chapters in early July. However, news arrived in Valladolid on 15th July regarding a brief from the Papal chancellery about the revocation of the concession that the former pope Julius III had granted to Charles V in 1554. This legal change turned the negotiation into a moral problem because the delegates were then legally unable to concede any subsidy. The immediate reaction of the potentates, therefore, was to report to their chapters on how they should proceed. Meanwhile as they waited for a response, the deputies of Toledo urged Suárez de Carvajal to abandon his duties because he had no legal right either to sequester the accounting books or arrest anyone who resisted.

²⁶⁸ The alignment of Fonseca with Ruy Gómez before his departure with Prince Philip to England resulted in his appointment as president of the Royal Council on 2nd April 1553. See Ignacio J. Ezquerra Revilla, 'Fonseca, Antonio De', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/16746/antonio-de-fonseca>.

²⁶⁹ The following chronological references have been taken from a detailed work about the meeting, which is based on the analysis of its minutes. See Perrone, *Charles V and the Castilian Assembly of the Clergy Negotiations for the Ecclesiastical Subsidy*, 201–14.

Although the demand of the delegates found support among the jurists, the regent's commissioners hurried to support Suárez de Carvajal. Fonseca and Vázquez de Molina argued that the new Papal directive was very general and did not affect the bulls with lead seal and concessions to the emperor. The royal position on this legal issue was logical bearing in mind the urgent need for funds. If they agreed with the assembly about the cancellation of Suárez de Carvajal's powers, then the regency lost a valuable coercive tool against the chapters. The Bishop of Lugo, who foresaw that negotiations could reach an impasse in August, recommended that the regent secure confirmation from Pope Paul IV about Julius III's concession.²⁷⁰

The Hispanic intermediary in Rome was the ambassador Fernando Ruiz de Castro, marquis of Sarria. The diplomat had arrived in Rome in July 1555 with instructions to ease the political tensions with Pope Paul IV.²⁷¹ Surprisingly, Sarria had already obtained the Papal confirmation of the bull on 31st July, two weeks before Suárez de Carvajal had suggested this to regent Joanna.²⁷² The brief, however, did not arrive in Castile until December, two months after the assembly had disbanded.²⁷³

The meeting of the ecclesiastical representatives had concluded a mixed policy of negotiation and coercion on behalf of the royal board.²⁷⁴ In September, for example, while Fonseca bargained with the delegates, Suárez de Carvajal had prepared the orders to enforce the collection of the Papal concession without the collaboration of the chapters.²⁷⁵ This aim of the Bishop of Lugo, however, was not one shared by his colleagues and regent Joanna. The execution of a forced collection was not viable

²⁷⁰ Ibid., 207.

²⁷¹ De Castro's negative experience in Rome, however, proved that Paul IV was convinced that a war would be triggered against the Hispanic Monarchy. See Michael Jacob Levin, *Agents of Empire: Spanish Ambassadors in Sixteenth-Century Italy* (Ithaca, N.Y.: Cornell University Press, 2005), 64–66; Eduardo Pardo de Guevara y Valdés, 'Ruiz de Castro y Portugal, Fernando', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/43639/fernando-ruiz-de-castro-y-portugal>.

²⁷² Perrone, *Charles V and the Castilian Assembly of the Clergy Negotiations for the Ecclesiastical Subsidy*, 216.

²⁷³ The assembly was finally dismissed on 21st October. See *ibid.*, 214.

²⁷⁴ Regent Joanna reported to Charles V about the tough negotiations with the clergy and the actions of the bishop of Lugo. See Joanna of Austria to Charles V, 'AGS, EST, Leg. 109, 306', Letter, (18 August 1555).

²⁷⁵ The bishop warned Charles V about his decision and also about having contacted the ambassador Sarria to oversee the delay in the Papal confirmation. Although the bull was enforced, the collection was restricted to bishoprics and other religious institutions. The male and female monasteries of Saint Augustine and the Dominican Orders, as well as the Military Orders, were temporarily excluded from the collection. See Juan Suárez de Carvajal (Bishop of Lugo) to Charles V, 'AGS, EST, Leg. 109, 285', Letter, (20 September 1555).

because of its costs and the foreseeable resistance from the clergy. Their concern reinforces the thesis about the role of medium-ranking officials in the process of state construction, especially at local level. Without the collaboration of regional and local powerholders, the royal administration was unable to extract any resources.

Once the assembly was dismissed on 21st October and the Papal confirmation of the bull was still in Rome, Suárez de Carvajal dispatched the orders to begin the forced collection. At this stage it is possible to observe the conflict among royal commissioners. While Fonseca wanted the clergymen to enforce the collection to show that they were positively predisposed to negotiating a deal, Suárez de Carvajal preferred laymen instead so as to avoid resistance from within the Church. Finally, the Bishop of Lugo withdrew to please one of Charles V's favourite statemen. In the end, the personal agenda of Suárez de Carvajal motivated him to recover his influence at the royal court. His coercive strategy with the representatives during their assembly, notwithstanding his prior vigorous protection of Papal concessions, was due to the need to confirm the importance of his appointment inside the royal administration. The bishop used the resistance of the clerics in 1555 to demonstrate that he was the only one able to compel the Castilian high clergy to contribute.²⁷⁶

Suárez de Carvajal's coercive approach, however, was suspended when the Papal confirmation arrived in December. The bishop sent missives to the chapters reporting on the Papal resolution and initiated a process of individual negotiation, a strategy that high-ranking officials also used to pursue their personal goals.²⁷⁷ The negotiations again failed because another letter from Rome arrived by Christmas. Paul IV had annulled the brief confirming the concession, though he did not clarify whether the subsidy was valid.²⁷⁸ The news gave renewed energy to an already resilient clergy, which countered

²⁷⁶ Since his departure from the Council of Finances, Suárez de Carvajal had lost his influence from the use of Papal concessions, which were largely managed by the Council. See Perrone, *Charles V and the Castilian Assembly of the Clergy Negotiations for the Ecclesiastical Subsidy*, 215.

²⁷⁷ The Duke of Savoy had to negotiate individually with the provinces of the Habsburg Low Countries, whereas Cardinal Carafa negotiated a contribution with the Papal cities in the same way and the Cardinal of Lorraine followed suit in France. Further details in Chapter 3.

²⁷⁸ Perrone, *Charles V and the Castilian Assembly of the Clergy Negotiations for the Ecclesiastical Subsidy*, 216.

the resumption of the forced collection by Suárez de Carvajal by suspending the religious services in many dioceses of Castile by February 1556.²⁷⁹

The policy of coercion that Suárez de Carvajal employed to pursue his agenda resulted in a counterproductive outcome. There were already too many conflicts in Europe to add a new one at home. The regent Joanna ordered the suspension of the forced collection and the resumption of holy services on 27th February.²⁸⁰ The Bishop of Lugo had wasted his chance to regain royal favour by pursuing an abusive coercive strategy against a key institution in the kingdom that serviced most of the royal pecuniary demands.²⁸¹ The regency could hardly extinguish the fire in the following weeks. Only individual negotiation with the chapters, especially with the archbishopric of Toledo, could conclude a deal in which the clergy supported the king and began to collect the subsidy without Papal approval.²⁸² Negotiation succeeded where coercion failed.

This case study about Suárez de Carvajal, a medium-ranking official within the royal administration, demonstrates that these types of statesmen employed negotiation and coercion to achieve their personal goals. This strategy was a pattern also found in the higher ranks of central administrations, which stresses the similarities among the two groups. However, the divergence of personal agendas among these officials resulted in internal disputes inside the royal administration. The case of Fonseca or Vázquez de Molina illustrates this point, both from the perspectives of factional tension and personal quarrels. Conflict, in short, was the channelling element that medium-ranking officials employed to accomplish their targets.

However, coercion had proven to be an unviable option with the Castilian high clergy. For the subsequent ecclesiastical contributions, Philip II ordered a lavish ceremony in which all the funds would be carried to Valladolid and put into a chest in

²⁷⁹ Rodríguez-Salgado, *The Changing Face of Empire*, 229.

²⁸⁰ Perrone, *Charles V and the Castilian Assembly of the Clergy Negotiations for the Ecclesiastical Subsidy*, 218.

²⁸¹ A thorough analysis of the role Castile played in the royal finances in Carlos Morales, *Felipe II*, 24–34.

²⁸² The regent Joanna warned her brother Philip II about the continued resistance of the Castilian high clergy. See Joanna of Austria to Philip II, 'AGS, EST, Leg. 114, 80'; Rodríguez-Salgado, *The Changing Face of Empire*, 230.

the church of Saint Paul in Valladolid.²⁸³ Just three people would have access to the money: the rector of the community, a royal official, and a specially commissioned administrator to guarantee a degree of impartiality. The location chosen for the chest was the place where the meetings of the Castilian estates used to assemble, which highlights how public an issue like this was. These kinds of ceremonies were an important element for maintaining the cohesion among the multiple agents in the Hispanic Monarchy. The procession of the chest entering the church of Saint Paul can be interpreted in early modern times through the historiographical concept of *ritual*, meaning any public event that promoted monarchical cohesion and avoided coercion.²⁸⁴

As the negotiations with the Castilian high clergy were underway, the Hispanic ambassador in Genoa sent news about French troop movements in Piedmont and reported everything his agents discovered in Provence.²⁸⁵ It was obvious to all that Henry II was preparing to resume the war, though this time he counted on the support of the Pope and his allies. The duke of Alva warned in July 1556 that Papal officials had intercepted the correspondence to and from Naples, which compromised the security of secret communications such as military plans and financial statements.²⁸⁶ He suggested two strategies to counteract this cold war with Rome.

First, any letter from the Pope or his officials that passed through Barcelona, Fuenterrabía, and Vitoria to France was to be opened and checked. Second, the duke proposed a ban on any financial transaction from the territories of the monarchy to the eternal city, as anyone could use those funds to secretly finance the Papal armies.²⁸⁷ This aspect of the economic war that the nobleman recommended to Joanna reveals how controversial the administration of financial hubs was. An embargo on private operations, just because someone forwarded money to Rome, could result in other

²⁸³ Rodríguez-Salgado, *The Changing Face of Empire*, 230.

²⁸⁴ This field is still poorly studied. See a critique in Robert von Friedeburg and John Morrill, eds., *Monarchy Transformed: Princes and Their Elites in Early Modern Western Europe* (Cambridge University Press, 2017), 154; Edward Muir, *Ritual in Early Modern Europe*, *New Approaches to European History* 11 (Cambridge; New York: Cambridge University Press, 1997), chap. Introduction and Epilogue.

²⁸⁵ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1385, 75'; Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1385, 27-28', Letter, (25 July 1556); Stefano Doria to Gómez Suárez de Figueroa, 'AGS, EST, Leg. 1385, 29', Letter, (25 July 1556).

²⁸⁶ Duke of Alva to Joanna of Austria, 'AGS, EST, Leg. 114, 242-244'.

²⁸⁷ Duke of Alva to Joanna of Austria, 'AGS, EST, Leg. 144, 234'.

businessmen seeing the Hispanic Monarchy as an invasive intruder that exceeded its authority.

Notwithstanding this problem, Philip II took up the suggestion of the duke of Alba regarding to impose a limit to the financial sources the Pope.²⁸⁸ For example, although the king acknowledged the right of a Papal nuncio to be in Castile without harm or subject to an embargo, Paul IV had sent another nuncio with powers of collecting ecclesiastical incomes to Castile. Philip II ordered the State Council to impede the office of the new nuncio immediately, as such a commission could not be tolerated and, hence, no ecclesiastical funds should leave the kingdom.²⁸⁹

Although Philip II spent much effort to prevent any Papal meddling in the Castilian finances, the suspicions of Alba were finally confirmed when the Archbishop of Toledo came into contact with a merchant of Burgos called Miguel de Zamora to seek and forward 150,000 ducats to the pope.²⁹⁰ The businessman declined to assist Silíceo, alleging that this would be an act of disloyalty to the king. The prelate concealed his disappointment and sought the money through other people. Once he had apparently raised the funds, surprisingly, he communicated again with the merchant asking him to provide six healthy mules 'for His Sanctity'. Presumably, Silíceo had obtained the money and needed a means of transport to the coast or to some fair, where he could arrange a bill of exchange against Rome. Once again, the merchant of Burgos refused to help, yet the archbishop's compliance with the wishes of the Pope had been made clear. The news of this incident was sent in cipher, to avoid French officials intercepting and reading the letter, which warned the Pope about the failure of his operation to seek alternative lenders.

²⁸⁸ Philip II to Council of the Estate, 'AGS, EST, Leg. 117, No Page', Letter, (29 December 1556); Carlos Javier de Carlos Morales, 'Mercado Financiero y Crédito Del Soberano En El Tránsito de Carlos V a Felipe II. La Intervención En Los Tipos de Cambio Mediante Las Pragmáticas Del 1551-1557', *Studia Historica: Historia Moderna* 25 (2003): 298.

²⁸⁹ Philip II to Council of the Estate, 'AGS, EST, Leg. 117, No Page'.

²⁹⁰ The events of this incident, including its later repetition, were narrated in a letter the regent Joanna sent to her brother Philip in mid-September. See Joanna of Austria to Philip II, 'AGS, EST, Leg. 114, 226-232', Letter, (13 September 1556).

Although the role of the archbishop was essential in this financial manoeuvre, his second appeal to the Burgos merchant after he had already refused to assist him simply stresses the close link that they shared and the potential of the businessman to complete the deal. Miguel de Zamora and Silíceo had surely met each other when the former became treasurer of the Crusade Bull between 1551 and 1554.²⁹¹ In other words, Miguel de Zamora combined his position as a medium-ranking official in the royal administration with his traditional duties as merchant from 1552 until 1557. During this period, for example, Zamora ran a clothing company with some of the most important businessmen and royal financiers of Burgos, such as Diego de Bernuy, highlighting the social networks of this statesman with diverse activities. However, he was also a capable royal lender to Charles V, since he had granted the emperor 300,000 ducats in August 1552.²⁹² The social capital of Zamora and his experience with the administration of Papal concessions was decisive for Silíceo since Philip II had banned the circulation of all bills of exchange within Castile on 6th November 1551.²⁹³

If the royal edicts and orders were logical responses in the context of war, far more revealing is the reason that prevented the merchant from lending money, although he knew it was for the pope. It is surprising that in the religious society of Castile, the businessman preferred to remain loyal to the king rather than to Paul IV. Although royal regulations could have impeded the credit supply, Zamora's final decision may have mostly been due to his knowledge of the enmity between Philip II and Paul IV. The merchant preferred to be a good subject before a good Christian, even if he patronised the church of San Lesmes in Burgos.²⁹⁴

His former experience in the royal administration, and probably the future of his family agenda, may have encouraged him to prefer loyalty to the monarchy. In this sense, medium-ranking officials who worked for the central administration had multiple loyalties, either to laymen like the heads of the political factions at the royal court

²⁹¹ Zamora also participated in the preaching of another bull in 1555. See Manuel Basas Fernández, 'Miguel de Zamora: la vocación religiosa de un viejo mercader', 1953, 770; Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 580 and 582.

²⁹² Indeed, Zamora was one of the main Castilian lenders of the period. See Carande Thovar, *Carlos V y sus banqueros*, 1987, 3: Los caminos del oro y de la plata:476.

²⁹³ Carlos Morales, *Felipe II*, 35.

²⁹⁴ Basas Fernández, 'Miguel de Zamora', 770.

(Suárez de Carvajal) or spiritual leaders like the pope (Miguel de Zamora). Their personal agenda was what mattered and defined those loyalties through their actions, an agenda that statesmen used to channel through major conflicts.

The role of these individuals became paramount when ambassador Suárez de Figueroa reported on the progress on the Italian war in the last days of September 1556.²⁹⁵ The diplomat wrote to the regent Joanna that the duke of Alva was entering the Papal States while the king demanded a new financial service against Castile to pay the captain of the galleys, Francisco de Mendoza. The financial roulette kept spinning and adding new liabilities to an already exhausted treasury that could barely find new sources of income to back more debt. It was time for Philip II to push for the professionalisation of the management of the royal finances through new medium-ranking officials. The financial ineffectiveness and the political resistance of the regency to enforce most of the royal decisions encouraged the monarch to rely on these agents. A new formal institution that could operate from the Habsburg Low Countries, Genoa, and Castile was about to be created.

2.2. A last-minute solution against financial collapse: the *Factoría General*

The use of *factores* -royal representatives- to administer the royal finances was not new in Europe. Other monarchies, such as France, England, and Portugal, had already used them to reduce financial costs and ease credit negotiations.²⁹⁶ In the case of the Hispanic Monarchy, the system of financing by proxy became an important element during the reign of Philip IV and the government of his still-powerful favourite, the Count-Duke of Olivares.²⁹⁷ The many difficulties Philip II observed in 1555 to provide funds and additional sources of income to the royal treasury encouraged him to reform

²⁹⁵ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1385, 62', Letter, (24 September 1556).

²⁹⁶ Esteban Hernández Esteve, *La Historia de La Contabilidad, Vía Privilegiada de Aproximación a La Investigación Histórica: Cuentas de Los Fondos Recibidos Por La Factoría General de Los Reinos de España Para Financiar La Guerra de Felipe II Contra El Papa Pablo IV y Enrique II de Francia (1556-1559)* (Madrid: Real Academia de Doctores de España, 2010), 59.

²⁹⁷ Sanz Ayán, 'El crédito de la corona y los hombres de negocios en los últimos años del reinado de Felipe IV'; Carlos Álvarez Nogal, 'El factor general del Rey y las finanzas de la monarquía hispánica', *Revista de Historia Económica - Journal of Iberian and Latin American Economic History* 17, no. 3 (1999): 507–39.

the financial structure of the monarchy.²⁹⁸ As regards the origins of the *Factoría General*, scholars have proposed three approaches.²⁹⁹

The first concerns political bargaining at the royal court in Brussels. Since Emperor Charles V declared Philip II the new king of the Hispanic realms on 16th January 1556, those months were characterised by the persistent interference of the Emperor in financial issues, something that forced Philip to delay his plans for reform.³⁰⁰ The departure of the Emperor from Zeeland in September 1556 allowed the new monarch greater room for manoeuvre.³⁰¹ The second approach suggests that the military constraints in Italy, rather than politics, forced Philip II to reform his economic institutions.³⁰² A third option stresses the intention of the monarchy to be more independent from merchant bankers, diminishing their influence in the royal finances.³⁰³ All these proposals converge in the fact that the financial systems of administration and communication needed to be reorganised if Philip II wanted to avoid the general collapse of his recently inherited domains.

As the military conflict developed and expanded to Italy by March 1555, when French troops entered into the Duchy of Milan, the need for financial mobility increased.³⁰⁴ The lack of additional funding from the regency government in Castile simply added a new spur to the creation of a system of *factores reales* in October 1555 while the assembly of the clergy in Castile ended without a decision.³⁰⁵ The new organisation was developed in three phases, each characterised by the diverging

²⁹⁸ Philip II to Juana of Austria, 'AGS, EST, leg. 516, 139', Letter, (10 April 1556); an earlier attempt to reform this system, applicable only to the Castilian fairs but not in connection with other kingdoms, took place in 1552. See Cristóbal Espejo and Julián Paz, *Las antiguas ferias de Medina del Campo: investigación histórica acerca de ellas* (Tipografía del Colegio de Santiago Biblioteca Digital de Castilla y León, 1912).

²⁹⁹ Surprisingly, two of the classic works on finances in the period of transition between the emperor Charles V and Philip II refer to the *Factoría General* although without an extensive analysis. Indeed, Carande was mistaken when he affirmed that López del Campo was royal factor in the Low Countries. See Carande, *Carlos V y sus banqueros. Los caminos del oro y de la plata (Deuda exterior y tesoros ultramarinos)*, 3:465; Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 137.

³⁰⁰ Rodríguez-Salgado, *The Changing Face of Empire*, 236.

³⁰¹ Gómez Suárez de Figueroa and Joanna of Austria, 'AGS, EST, Leg. 1385, 32-33', Letter, (7 October 1556).

³⁰² Esteban Hernández Esteve, 'Guerra, Gestión Experta y Contabilidad En La Real Hacienda. Movimientos Internacionales de Fondos a Través de La Factoría General de Los Reinos de España (1556-1557)', in *De Computis et Scripturis* (Barcelona: Real Academia de Ciencias Económicas y Financieras, 2003), 247.

³⁰³ Carlos Morales, *Felipe II*, 36–37.

³⁰⁴ It has been estimated that one million ducats were needed to fund the defence of Milan and organise a counterattack. See Rodríguez-Salgado, *The Changing Face of Empire*, 139–40.

³⁰⁵ *Ibid.*, 235.

interests of private agendas. The first phase involved entrusting the management of the finances of the whole monarchy to a single man.

Although this task was apparently overwhelming, it was approved. Gaspar Schetz, Lord of Grobbendonk and loan broker of Mary of Hungary in Antwerp, was appointed to the post in November 1555.³⁰⁶ According to a letter that Philip II sent to the magistrates of Antwerp on 1st January 1556, the monarch wrote to the council of Antwerp regarding the appointment of Gaspar Schetz, with instructions to take care of the royal finances and help the local council to find funding whenever it was possible.³⁰⁷ In exchange for this financial service, the local officials of Antwerp were requested to grant the *factor real* all the honours and privileges that were customary for the royal household. In this sense, medium-ranking officials like Schetz were often socially promoted through recognition and rituality.³⁰⁸

When the commission of Schetz was formalised, Philip II was still unable to reform the financial system due to the magnitude of the project. He still needed the power of the financial head of the monarchy, the Kingdom of Castile, to achieve his goal. This transfer of powers was not materialised until two months later, when Charles V bequeathed this realm to his son in January 1556.³⁰⁹ Once Philip II was in full control of the Castilian institutions, the second phase of the *Factoría General* began. At this stage, the royal secretary Francisco de Eraso and commander Bernardino de Mendoza

³⁰⁶ More details about the Schetz's experiences in James D. Tracy, *The Founding of the Dutch Republic: War, Finance, and Politics in Holland, 1572-1588* (Oxford; New York: Oxford University Press, 2008), 50; Jeroen Puttevils, *Merchants and Trading in the Sixteenth Century: The Golden Age of Antwerp*, Perspectives in Economic and Social History 38 (London; Vermont: Pickering & Chatto Limited, 2015), 74. The Venetian ambassador in Brussels reported in December 1555 that Philip II had appointed a factor called Matthew Schetz in Antwerp to manage his financial deals to avoid the secretary Eraso going to that city every time the monarch needed a new loan or money exchange. However, the ambassador was mistaken because the name of the officer was Gaspar Schetz. See further details in Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 309', Letter, (11 December 1555).

³⁰⁷ 'Lettre de Philippe II au magistrat d'Anvers, sur l'établissement qu'il a fait d'une *factorerie* dans cette ville, et le choix de Gaspar Schetz, seigneur de Grobbendoncq, por l'exercer'. See Louis Prosper Gachard, 'III. Analectes historiques, 4e série', *Bulletin de la Commission royale d'Histoire* 24, no. 8 (1856): 117 (doc. 137).

³⁰⁸ The most complete biographical reference to this medium-ranking official was written in the nineteenth century. No other source consulted for this dissertation has been more informative about his personal career. See Alphonse Wauters, 'Grobbendonck (Gaspar Schets, Seigneur De)', in *Biographie Nationale de Belgique*, vol. 8, 1885, 314–24. Recent online databases, although useful for linking case studies, may contain biographical mistakes; see the example of Schetz's in 'Gaspar Schetz', *BRASILHIS Database Personal Networks and Circulation in Brazil during the Hispanic Monarchy (1580-1640)*, 2015, <http://brasilhis.usal.es/en/node/1255>.

³⁰⁹ Parker, *Imprudent King*, 50.

proposed a change to the system.³¹⁰ Instead of just one *factor*, their recommendation was to add another of Castilian origin, their client actually, to administer the homonymous kingdom. This new distribution would reduce the power of Schetz considerably, but this was necessary because the situation in Brussels was continuously worsening. The estates of the Habsburg Low Countries, and more specifically the deputies of Brabant, had not approved the traditional subsidy to Philip II yet.³¹¹

Without a reliable future income, Antwerpian lenders were reluctant to provide new loans. The *factoría* of Schetz in that city was, therefore, useless. Alternative sources of liquidity, intended to generate trust among financiers, came from England. Mary Tudor, wife of Philip II, offered her husband up to 200,000 crowns from private creditors.³¹² The Hispanic monarch, who needed more solvency than liquidity and was aware of the disastrous political consequences in England if he accepted this money, rejected the offer.³¹³ Given these circumstances, Philip II decided to move forward and initiate the third phase of the new system in September 1556. This stage of the reform reflected another change to the original project with the addition of two more *factores* to the system, besides the appointment of a *factor general* to coordinate his institutional colleagues.

The ultimate plan centralised the finances of the monarchy in the hands of four experienced businessmen. They were Fernán López del Campo, Juan López Gallo, Gaspar Schetz and Silvestre Cattaneo; two Castilians, a Brabantian, and a Genoese respectively. The literature on this financial milestone has apparently never taken notice of the fact

³¹⁰ The shared interest of Eraso and Mendoza in changing the system was the outcome of the courtier intrigues initiated by the secretary Ruy Gómez de Silva. See Tarifa Fernández, 'Vázquez de Molina, Juan'; on the joint proposal see Rodríguez-Salgado, *The Changing Face of Empire*, 236.

³¹¹ The deputies of Brabant even asked to see the royal accounts before granting any new subsidy. This political struggle is discussed in more detail in the third chapter of this dissertation. An overview of the ongoing political problems in Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 601', Letter, (9 May 1556).

³¹² These funds did not come from the English parliament but from private lenders. There was also an ongoing political struggle in England between the estates and their sovereigns. See more details about this offer in Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 617', Letter, (16 September 1556).

³¹³ There were four possible outcomes: giving the money to Philip II and impoverishing England; using these funds to pay for a visit of Charles V to England before his final departure to Castile with the resultant political tension; crowning Philip II as King of England by force; and bribing the English deputies to declare war against France. All four options endangered Mary's rule before an already uneasy relation with the English parliament. See more details in *ibid.*

that these four men were not high-ranking lenders, but medium-ranking ones from the private sphere. López del Campo, for example, was a Burgos merchant who used to participate in multiple *asientos* with López Gallo during the 1550s.³¹⁴ López Gallo was another financier from Salamanca who was appointed in Bruges to improve the initial system in the Habsburg Low Countries.³¹⁵ Although Schetz arranged some deals with the monarchy, he and his family were mostly active at a local level in the money market of Antwerp.³¹⁶ Finally, Cattaneo used to collaborate with other Genoese financiers to arrange *asientos* with the emperor during that decade.³¹⁷

None of these financiers participated in large financial operations, as the well-known Fugger, Centurione or, to cite a Castilian case, Diego de Bernuy did. The choice of these men for the role of *factores reales*, instead of high financiers, is definitively related to the financial policy of the monarchy that sought to prevent any oligopoly among its lenders.³¹⁸ The use of medium-ranking businessmen allowed Philip II to prevent the main royal lenders from benefiting from the control of and information about the royal finances. Notwithstanding this advantage, the new system for organising the borrowing activities of Philip II was mostly intended to prevent the failure of coordination within the royal administration.

The appointment of López del Campo as *factor general*, however, symbolised a certain degree of centralisation and hierarchy, which reflects the formal character of the institution. The instructions given to each *factor* by the highest authority, the monarch, conditioned their behaviour in the institution and simultaneously had an impact on the behaviour of the people dealing with them.³¹⁹ In this sense, the *Factoría General* was born to reduce transaction costs in financial operations, especially regarding the costs associated with searching for and information about financial instruments and lenders,

³¹⁴ Carande Thovar, *Carlos V y sus banqueros*, 1987, 3: Los caminos del oro y de la plata:317.

³¹⁵ Wauters, 'Grobbendonck (Gaspar Schets, Seigneur De)', 316.

³¹⁶ Son of Erasmus Schetz, the financier of the Antwerp council until his death in 1550. Gaspar inherited the main family patrimony and collaborated with his brothers Balthasar and Melchior to rent the Portuguese spice monopoly and copper trade in the city. They were also involved in loans with Emperor Charles V and his sister Mary of Hungary, governess of the Habsburg Low Countries in her brother's absence. See Tracy, *Emperor Charles V, Impresario of War*, 99–100.

³¹⁷ Carande Thovar, *Carlos V y sus banqueros*, 1987, 3: Los caminos del oro y de la plata:480.

³¹⁸ Álvarez Nogal, 'La Estrategia de La Real Hacienda En La Negociación Del Crédito de Los Austrias', 455.

³¹⁹ Greif, *Institutions and the Path to the Modern Economy*, 31; Keefer and Shirley, 'Formal versus Informal Institutions in Economic Development', 96.

but also the lower decision costs inherent within a centralised institution.³²⁰ Furthermore, the *Factoría General* was especially intended to reduce the costs associated with financial deals. Examples of this successful strategy were the consolidation of short-term debt in 1557 and the lower interest rates applied to the *asientos* signed after the decree.³²¹

The nomination of López del Campo for the post, instead of someone else, points to a court rivalry.³²² Francisco de Eraso and Ruy Gómez de Silva, courtiers of Prince Philip and the emperor, carried out a lengthy operation to take control of the Council of Finances and the accounting office known as the *Contaduría Mayor de Hacienda*. They were the heads of the courtly group today referred to as the Ebolists, which sought to reform the royal administration through the appointment of a network of patrons and clients with common interests. Through their institutional monopoly, the group intended to have influence in the inner circle of the sovereign before other members of the royal court such as the Duke of Alva or the president of the Council of Finances, Juan Vázquez de Molina.³²³ Eraso became secretary of this institution and royal accountant on 13th April and 22nd May 1556 respectively.³²⁴ In this way, the royal secretary gained

³²⁰ North, 'Institutions, Transaction Costs, and the Rise of Merchant Empires'; Allam Yousuf, 'Transaction Costs: A Conceptual Framework', *International Journal of Engineering and Management Sciences* 2 (2017): 131–39; Dahlman, 'The Problem of Externality', 148.

³²¹ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 62', Letter, (2 January 1557); Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 219', Letter, (3 November 1558).

³²² A short introduction to the topic with the most relevant literature in José Martínez Millán, 'Factions and Political Groups at Philip II's Court: Albists vs Ebolists', in *A Europe of Courts, a Europe of Factions: Political Groups at Early Modern Centres of Power (1550–1700)*, vol. 12, Rulers & Elites (Brill, 2017), 109–29; for a more detailed work see chapters 5 and 6 in José Martínez Millán and Carlos Javier de Carlos Morales, *Felipe II (1527-1598): la configuración de la monarquía hispana* (Junta de Castilla y León, 1998).

³²³ It is noteworthy that Juan Vázquez de Molina, related to the late secretary Francisco de los Cobos through the paternal line (their paternal grandparents were siblings), was a victim of the courtier strategies of Francisco de Eraso even though they had been close friends in the 1540s and Eraso had been a protégé of Cobos in the 1530s. Therefore, we can observe that the good relations between the clients of Cobos ended with his death in 1547. This conclusion was reached by consulting Tarifa Fernández, 'Vázquez de Molina, Juan'; Martínez Millán, *Instituciones y Elites de Poder En La Monarquía Hispana Durante El Siglo XVI*, 138; Hayward Keniston, *Francisco de Los Cobos: Secretary of the Emperor Charles V* (University of Pittsburgh Press, 1960), 4.

³²⁴ Although the appointment of Eraso as lieutenant in the *Contaduría Mayor de Hacienda* was a fact, there is a historiographical discrepancy regarding the date. Whereas some scholars point to 17th April others refer to 22nd May. See Ildelfonso Pulido Bueno, *La Real Hacienda y Sus Oficiales En Las Cortes: Los Contadores Mayores de Castilla En El Gobierno y Administración Del Patrimonio y Hacienda Real: IV Centenario Del Decreto de Suspensión de Consignaciones de 1.607 y Medio General de 1.608* (Huelva: I. Pulido Bueno, 2007), 279; Martínez Millán, *Instituciones y Elites de Poder En La Monarquía Hispana Durante El Siglo XVI*, 118; Consuelo Juanto Jiménez, 'Eraso y Hermosa, Francisco De', in *Diccionario*

access to all the communications of the Council and the real state of royal finances, mixing both influence and information.

Although these offices granted Eraso a privileged position, he still needed someone in Castile to oversee the financial decisions taken there. Eraso put forward the name of López del Campo for the role of *factor general* in Castile. This strategy sought to undermine any opposition in the Council of Finances through the powers granted to López del Campo, who was sent to Castile with authority to manage all the royal incomes in that kingdom.³²⁵ It was clear that the establishment of the *Factoría General* was a statement of intentions to the main royal representatives of the monarchy.

This new organisation, defended by Eraso and Gómez de Silva, appointed the *factores* to the three main financial locations under the political protection and influence of the Hispanic Monarchy: Valladolid, Antwerp and Genoa. The strategy left out key places such as Besançon and Lyon, where two of the main financial fairs of western Europe took place. Although *factores* such as López Gallo had agents in Besançon, it is still not known whether the *factores* had someone appointed at Lyon. The fact that Lyon was under the influence of the French monarch could have prevented the Hispanic officials from trying to find funding there, at least directly.³²⁶ This decision relegated the regency government in Castile and the ambassador Suárez de Figueroa in Genoa to a secondary role, to which they reacted immediately.

In Genoa, after the arrival of Silvestre Cattaneo in the final days of January 1557, the ambassador Suárez de Figueroa wrote to Philip II restating that he was eager and ready to keep serving him.³²⁷ The diplomat had just realised how dangerous Cattaneo could become for his own duties in the Ligurian city. Leaving the negotiation of *asientos*

Biográfico Español (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/21065/francisco-de-eraso-y-hermosa>.

³²⁵ A list with the instructions given to López del Campo in 'AGS, EST, Leg. 131, 22' (Summary, 1556).

³²⁶ The Genoese lending houses were expelled from Lyon in 1551, which created a sort of 'French area of influence' in the city. See Enrique Otte, 'Sevilla y Las Ferias Genovesas Lyon y Besançon, 1503-1560', in *Atti Del Congresso Internazionale Di Studi Storici Rapporti Genova-Mediterraneo-Atlantico Nell'età Moderna* (Genova: Istituto di scienze storiche, Università di Genova, 1983), 261. In Lyon there were, instead, Florentine and some German lending houses, which financed the enterprises of Henry II in collaboration with the city council. See the monograph on this relationship by Angela Orlandi, *Le grand parti: fiorentini a Lione e il debito pubblico francese nel 16. secolo*, Quaderni-Fondazione Carlo Marchi 14 (Firenze: L. S. Olschki, 2002).

³²⁷ Gómez Suárez de Figueroa to Francisco de Eraso, 'AGS, EST, Leg. 1386, 4', Letter, (19 February 1557).

and exchanges in the hands of the *factor* meant that he would have to step aside and, therefore, lose importance and prestige within the structure of the monarchy. The reaction of the ambassador was logical but ineffective because the correspondence that arrived from Genoa to Philip II was seen by Francisco de Eraso, who certainly cared more for pushing his own agenda than giving space to the complaints of the representatives of the old financial system.

In Castile, López del Campo had arrived at the regent's court in Valladolid by November 1556, after his official appointment as *factor general* on 22nd September.³²⁸ The *factor general* brought with him royal instructions for the regent Joanna and the Council of Finances to issue letters ordering all royal incomes in Castile to be forwarded to him. Nevertheless, this transfer of powers did not take place as soon as the *factor general* arrived in Castile with the royal demands. Instead, it was a progressive process.³²⁹ First, the Council of Finances issued the letters that qualified López del Campo to receive the incomes from the military orders, mines, and the *Casa de la Contratación* -a sort of Trading House - in Seville on 16th December. The second phase took place some days later, when the major royal accountants handed the '*recudimiento general*' to López del Campo. That document entitled the *factor general* to receive all the remaining royal incomes from 1st January 1557 onwards.³³⁰

Despite that accreditation, some revenues, such as the last third of the *servicio*, an extraordinary tax that the Castilian cities granted to the monarch, were excluded from the *recudimiento*. The Council of Finances excused itself from having to obey the orders of the monarch, claiming that when the news arrived, everything had already been dispatched to the multiple treasurers in the kingdom.³³¹ Revoking the orders would only have caused rebellions and disturbances ('*revolución y alteración*'). As can be observed, the Council of Finances considered itself independent enough to be able to disobey Philip II without prior negotiation if this was necessary.

³²⁸ Hernández Esteve, 'Guerra, Gestión Experta y Contabilidad En La Real Hacienda', 244.

³²⁹ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 114, 19', 30 December 1556.

³³⁰ An early reference to the accounts of the *factor general* in Esteban Hernández Esteve, 'Las Cuentas de Fernán López del Campo, primer factor general de Felipe II, para los reinos de España (1556-1560)', *Hacienda Pública Española* 87 (1984): 85–105.

³³¹ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 114, 26', Letter, (13 December 1556); Council of Finances to Philip II, 'AGS, EST, Leg. 114, 5-7', Letter, (1 April 1557).

Notwithstanding the practical limitations the Council of Finances imposed on López del Campo, the *factor general* knew his instructions very well and defended them from the beginning of his commission.³³² Once in Castile, he was entitled to arrange *asientos* and exchanges in and out of the fairs on behalf of the king, receive all the royal incomes of the kingdom -including what came from America- and issue *juros al quitar* with a maximum interest rate of 10%. Apart from being a financial broker, the *factor general* also became a military supplier for the Council of War. In this sense, his commission also sought to minimise financial and transaction costs by foreseeing that open war with France was imminent. Apart from these duties, the main goal of López del Campo was to restore the king's credit.

All the powers that López del Campo received were intended to simulate an apparent cash flow that the monarch did not have at that moment due to the multiple delays in the reimbursement of his debts. The *factor general* had to secure the flow of new credit and exchanges, thus reassuring everyone that the king was still a trustworthy borrower. This motivation explains the appointment of López del Campo as *factor general* for Castile, which meant that the other two *factores reales* should adapt their actions to his strategies. López Gallo and Cattaneo would simply send and receive bills of exchange, besides administering funds in their designated regions. Reality showed that this subordination and concentration of power in López del Campo did not work because each appointee had his own agenda. In this sense, Lopez del Campo had to deal with royal institutions and other medium-ranking officials that did not want to be displaced or minimised.

Despite the multiple agendas of those officials, all converged in the effort to improve the financial reputation of the king. This long-term process began when the *factor general* analysed the general situation of the royal finances in Castile when he arrived in the royal court on 4th November 1556.³³³ A month later, on 13th December 1556, López del Campo had already written his verdict about the situation and

³³² Hernández Esteve, 'Guerra, Gestión Experta y Contabilidad En La Real Hacienda', 249–51.

³³³ Since the general factor was appointed on 22nd September, it took him the whole month of October to arrive at the court of the regent. See Joanna of Austria to Philip II, 'AGS, EST, Leg. 121, 91', Letter, (15 January 1557); for the date of the factor's commission see Hernández Esteve, 'Guerra, Gestión Experta y Contabilidad En La Real Hacienda', 244.

forwarded it to Philip II.³³⁴ Castilian commerce was declining because of the royal decrees of November 1551 (prohibition on the issuance of bills of exchange to cover payments from fair-to-fair in Castile), December 1555 (setting of interest rates on external exchanges) and March 1556 (prohibition of money exchanges within the Iberian Peninsula, including Portugal).³³⁵ These three edicts were the result of protectionist policies that sought to keep liquidity within the economic Castilian circuit and reduce interest rates for new financial operations with the sovereign. The main motivation for the enactment of these laws was a recommendation from Philip II, who intended to stop the increasing interest rates that his father -still in charge for the two first edicts- was implementing with each new *asiento*.³³⁶

This premium on the financial services to the king also affected the rest of the monarchy since the economic health of the royal finances rested on its fiscal power. The escalating demand for money exchanges increased the fiscal burden on taxpayers to repay them. This policy resulted in an economic downturn for local entrepreneurs, who observed how their benefits decreased due to the higher fiscal pressure imposed by the cities and increasing inflation.³³⁷ For example, the accounting books of one of the most

³³⁴ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 114, 26'.

³³⁵ Carlos Morales, 'Mercado Financiero y Crédito Del Soberano En El Tránsito de Carlos V a Felipe II. La Intervención En Los Tipos de Cambio Mediante Las Pragmáticas Del 1551-1557'.

³³⁶ Carande Thovar, *Carlos V y sus banqueros*, 1987, 3: Los caminos del oro y de la plata:32.

³³⁷ The renowned Castilian commentator Luís de Ortiz, royal accountant of the artillery, stressed the problem of inflation in a short report to Philip II. Ortiz proposed that he himself could solve the problem if the monarch granted him similar powers to those given to López del Campo. See Luís de Ortiz to Philip II, 'AGS, EST, Leg. 131, 84', Letter, (14 September 1556). There is extensive literature about inflation in the early modern Hispanic Monarchy, especially regarding its decline. Hamilton's study, published during the interwar period, and a key publication on this topic, stressed the importance of the massive arrival of American silver to Castile and its connection to a generalised process of inflation. However, the role of silver has been reconsidered throughout the decades. Scholars have since realised that American silver was just another element that contributed to price increase, especially because the silver flowed to Asia instead of remaining in Europe. See some examples in Earl J. Hamilton, *American Treasure and the Price Revolution in Spain, 1501-1650* (Cambridge, MA and London, England: Harvard University Press, 1934); Dennis O. Flynn, 'Fiscal Crisis and the Decline of Spain (Castile)', *The Journal of Economic History* 42, no. 1 (March 1982): 139-47; David Hackett Fischer, *The Great Wave: Price Revolutions and the Rhythm of History* (Oxford University Press, 1996), 70-90; Stanley J. Stein and Barbara H. Stein, *Silver, Trade, and War: Spain and America in the Making of Early Modern Europe* (Baltimore: Johns Hopkins University Press, 2000); Bartolomé Yun Casalilla, 'El siglo de la hegemonía castellana (1450-1590)', in *Historia económica de España: siglos X-XX* (Crítica, 2010), 59; Carmen Sanz Ayán, *Los banqueros y la crisis de la Monarquía Hispánica de 1640* (Ediciones de Historia, 2013), 73-74.

important Castilian merchants of the time, Simón Ruiz, show a temporary disruption to his economic activities because of a credit contraction in 1556.³³⁸

All these elements help to explain the commercial decline in Castile mentioned by López del Campo in his report.³³⁹ The October fair in Medina del Campo, which had been delayed until December of that year, was a good confirmation of this conclusion. Although the fair was arranged to close on 17th December, no money exchanges had taken place by the 12th. Surprisingly, financiers were waiting for the *factor general* to participate in the fair. Their behaviour reflects their awareness of the powers and instructions of the medium-ranking official López del Campo. They preferred to deal with him rather than with the regent's representatives, which highlights the importance of medium-ranking officials to non-state actors in the process of state cohesion.

The *factor general* noted in his report that the level of businesses arranged was not even a quarter of what it used to be. His understanding of this decline showed not only how damaged the credit market was but also how necessary his presence and role were for the correct working of the monarchy. López del Campo was thus creating the perfect image that assured his professional future, and that of his patron Eraso too, in the administration of the Castilian royal finances. In other words, this medium-ranking official was promoting the importance of his role in the royal administration as part of his personal agenda through his service to the king within conditions of political (international war), institutional (financial reform), and social (economic downturn) conflict.

Given the situation in Castile, López del Campo promised to report to Philip II from Medina del Campo once the fair was over. On 30th December, the *factor general* sent his conclusions directly to Philip II, which were mixed but optimistic.³⁴⁰ He found that the credit market was still healthy enough to supply 300,000 or 400,000 ducats in case it was necessary. However, the decline of Castilian commerce was a worrying development that needed to be addressed as soon as possible to minimise any future harm. He recommended a commission be formed comprised of two or three theologians

³³⁸ R. Rodríguez González, 'La Negociación Cambiaria En La Banca de Simón Ruiz', in *Dinero, Moneda y Crédito En La Monarquía Hispánica* (Marcial Pons : Fundación ICO, 2000), 691.

³³⁹ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 114, 26'.

³⁴⁰ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 114, 19'.

along with two or three magistrates to advise on the most effective actions for the service of the king and the wellbeing of the monarchy.

If López del Campo had identified some of the key economic problems of Castile in December 1556, on 1st February 1557 he sent an exhaustive report to Philip II with suggestions on how to fix them.³⁴¹ In that document, López del Campo explained point by point a masterplan to save the royal treasury from an ignominious end and simultaneously to launch an economic attack on the enemies of the monarchy. Campo's proposals were implemented a few months later, which speaks to the trust that the king had in the businessman. In contrast to this fruitful relationship, Philip II had been having many disagreements with his sister Joanna in the previous months. This encouraged the *factor general* to address his report directly to the monarch since he made clear that the Council of Finances had no interest in seeing it.³⁴²

The letters and reports from the *factor general* to Philip II were very emotional, a common pattern among missives from other royal servants. The exaggerated tone of this type of correspondence sought to promote a royal servant's personal agenda through the simulation of a sincere loyalty and the desire to serve the sovereign and the monarchy. The main goal of the sender was to obtain royal grace and mercies.³⁴³ In this sense, López del Campo was straightforward in his letters to the king, in which he stressed the importance of his services and requested that he be compensated with honours (*honra*).³⁴⁴ This desire for royal grace may explain why López del Campo provided a very visual image of the fair. In his long report, he lamented that the prosperity of the Castilian fairs that he had seen during his youth as an independent businessman, had already disappeared. He described, for example, how he had previously attended the same fairs at Medina del Campo and how full they had been with no less than two hundred rich businessmen just a few years earlier. In the fair of

³⁴¹ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 62'.

³⁴² Fernán López del Campo to Philip II, 'AGS, EST, Leg. 114, 19'.

³⁴³ Alicia Esteban Estrígana, *Servir al rey en la Monarquía de los Austrias: Medios, fines y logros del servicio al soberano en los siglos XVI y XVII* (Sílex ediciones, 2012), 13.

³⁴⁴ Some examples in Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 292', Letter, (2 February 1558); Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 220', Letter, (14 March 1558); Fernán López del Campo to Francisco de Eraso, 'AGS, EST, Leg. 129, 295', Letter, (4 May 1558).

October 1556 -actually held in December- there were now barely twenty wealthy businessmen, a decline in the participation rate of 90%.

By the end of 1556, there was a clear primacy of Italian lenders as the leading royal financiers, who held 50.8% of the share of the debt (see table 1). These numbers have remained unchanged since the works of the 1980s -Ulloa and Carande- and modern scholars still use them in their analyses of the royal finances to illustrate the well-known rise of the Genoese.³⁴⁵ For this reason, it is very likely that the twenty lenders López del Campo mentioned in his report were Genoese, since they were already the best positioned lending nation. Nonetheless, the *factor general* avoided giving any names, something that would have been very useful for historians in gauging the state of Genoese lenders. Nevertheless, he may have exaggerated his statement to reinforce how essential a part of the financial machinery of the monarchy his office was, an issue that he emphasises in following letters to Philip II.

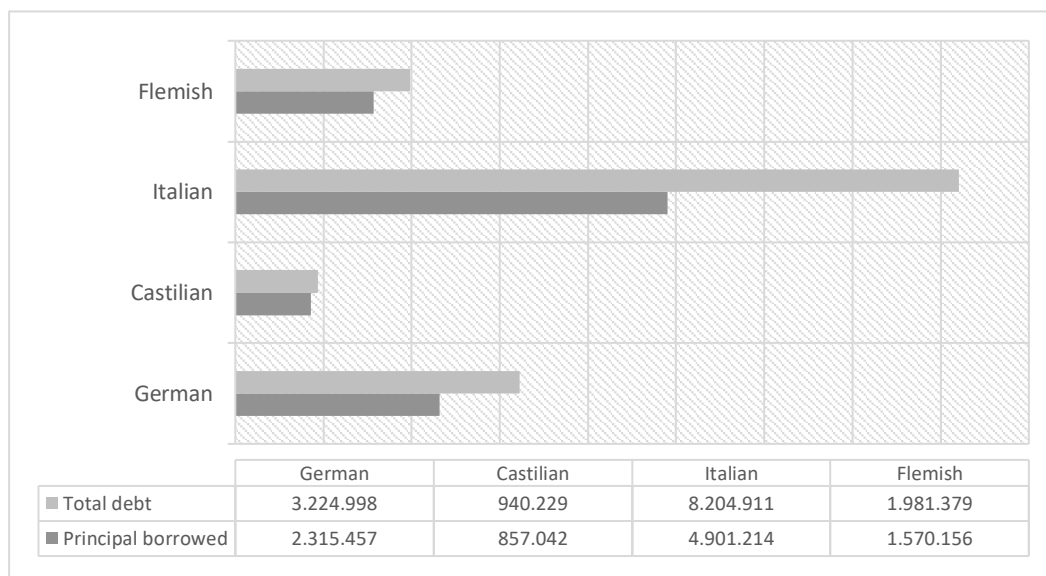


Table 1. Comparison of shares held by national group of lenders (1552-1556). In Castilian ducats. Source: Carande, Carlos V y sus banqueros. Los caminos del oro y de la plata (Deuda exterior y tesoros ultramarinos), 3: 32

It was evident that something was going extremely wrong in the way the royal finances had been managed until that moment. In his report of 1st February 1557, López del Campo again blamed the royal decrees issued six years before. He claimed that they had forced merchants to borrow from unlawful lenders at very high interest rates. The *factor general* does not specify how high those interest rates that ‘those mean men’

³⁴⁵ For example, see Carlos Morales, *El Precio Del Dinero Dinástico*, 2016, 72.

(*hombres de mala conciencia*) imposed on the monarchy against the common wellbeing were. Clearly, there was a profound unease in the writings of López del Campo when he described the situation.³⁴⁶

For instance, he narrated how honest merchants from Seville had been forced to engage in '*moatras*' and '*cambios fingidos*' because of their continuous need for liquidity from the lengthy commerce with America. *Moatras* were fraudulent contracts in which someone purchased a commodity at a high cost on credit and then sold it back to the merchant who sold the item in the first place, although at a lower price. This operation allowed borrowers to create a loan contract in which they obtained liquidity, which was the difference between the initial face value of the commodity and its resale price. The '*cambios fingidos*' were exchanges of money that concealed high interest rates, which were not declared explicitly in the contracts, in their reimbursements. With both tools, a borrower obtained liquidity and showed that he was solvent so as to keep doing business at a high cost.

In addition, the limitation and royal regulation of interest rates had discouraged lenders from doing business in the Iberian territories of the monarchy, thus reducing the credit coming from abroad. The royal edicts were, nonetheless, well intentioned. As mentioned before, they were intended to reduce the interest rates of domestic and foreign credit, which had risen to levels of usury during the last years of the reign of Charles V. The usury is what especially worried the clergy and the sovereign, a common concern that helped to bring their positions closer during the dispute over the ecclesiastical support for the pope analysed in the first section of this chapter. There was a culture against these kinds of deals, which drove borrowers to bankruptcy (*quebrar y romper*).³⁴⁷ If lenders and merchants were dropped from the economic framework that the monarch backed, then there would be a significant loss of the taxpayers who fuelled the royal treasury and the military machinery. In this sense, the

³⁴⁶ '[...] lo que vi en esta feria de octubre no se puede escribir, ni creer [...]' in Hernández Esteve, *La Historia de La Contabilidad*, 72–73.

³⁴⁷ In 1556 five merchants and one banker were bankrupted at the fairs of Medina del Campo. See Falah Hassan Abed Al-Hussein, 'Las quiebras de los hombres de negocios castellanos', vol. II (Historia de Medina del Campo y su tierra, Ayuntamiento de Medina del Campo, Consejería de Educación y Cultura, Diputación Provincial de Valladolid, Caja de Ahorros Provincial de Valladolid, 1986), 261.

moral position against usury was mingled with the need to support the common wealth and protect the royal interests.

Apart from the economic consequences of these political decisions, it is worth mentioning how the royal economic policies forced businessmen to flee towards less restrictive spaces. The traditional mechanism for issuing credit in Castile was focused on the fairs of Medina del Campo, Villalón de Campos and Medina de Rioseco. Although sometimes they could be delayed or prolonged due to the lack of businessmen or royal funds to service the payments due, they were key financial and commercial hubs for native and foreign businessmen.³⁴⁸ There, high financiers, merchants, and royal officials freely converged to arrange loans or make reimbursements. Nevertheless, the royal decrees imposed a more politically controlled market, something that López del Campo strongly criticised.

The Council of Finances selected a judge to check whether the accounting books of the businessmen at the fairs fulfilled the requirements established in the decrees so as to enforce them more efficiently. This coercion on financiers and merchants became even greater with the appointment of a notary and a justice official (*alguacil*), who accompanied the judge in his inquiries. This harassment was doubtlessly perceived as the excessive intromission of the royal prerogative into private matters. The most prominent men who attended the fairs decided to start sending their servants on their behalf instead of having to deal with the royal officials. Their absence from those meetings thus made the fairs less attractive to attend for other businessmen. In sum, this coercive royal policy of inspecting every operation of these businessmen was counterproductive, a conclusion that can be reached for other case studies throughout this first part of the thesis. López del Campo insisted on ending this coercion and

³⁴⁸ Álvarez Nogal and Chamley provide a list of the actual dates of the fairs, but it seems that according to the date of the report of López del Campo, the fair of October 1556 took place at an earlier date than that given by Álvarez Nogal and Chamley. Cf. Carlos Álvarez Nogal and Christophe Chamley, 'Philip II against the Cortes and the Credit Freeze of 1575-1577', *Revista de Historia Económica - Journal of Iberian and Latin American Economic History* 34, no. 3 (2016): 381. A recent overview with key bibliography about the topic in Hilario Casado Alonso, 'Crédito y Comercio En Las Ferias de Medina Del Campo En La Primera Mitad Del Siglo XVI', in *Il Mercato Del Credito in Età Moderna: Reti e Operatori Finanziari Nello Spazio Europeo*, 2010, 21–48.

reversing the resultant general loss of trust it caused as soon as possible, especially because of the war with France that broke out in January 1557.³⁴⁹

The military constraints would require a large amount of the liquidity that the royal edicts were diverting to other kingdoms such as Aragon, Valencia, or Portugal. The high price of gold and the prohibition on issuing bills of exchange from fair-to-fair encouraged the businessmen to extract as much currency as they could.³⁵⁰ Flanders and Besançon were the only open places to where money exchanges could be addressed in the monarchy. However, the latter applied high interest rates on currency exchanges, which made Flanders a more viable destination. Concentrating all the exchanges in Flanders was, nonetheless, dangerous, as this could overwhelm its fairs. The *factor general* recommended, therefore, suspending the royal edicts until Philip II returned to Castile and there were new discussions about this issue. López del Campo in fact had already made some of his own suggestions.³⁵¹

First, the restoration of domestic money exchanges, at least between Valladolid -together with Medina del Campo - and Seville, because they constituted one of the main economic arteries of Castile. The jurists accepted this measure as long as it occurred with some moderation. Second, the resumption of the money exchanges charged with interest within Castile (*'fianza de feria a feria'*) but with the imposition of an interest ceiling of 12% on the principal. This solution, however, was unlawful according to the ecclesiastical rules about usury. Making money out of money without any productive service was forbidden. Nevertheless, it was necessary to restore the commercial levels of the past. In addition, this recommendation drew the king's attention to the fact that this type of exchange was already allowed in other territories of the monarchy, such as Flanders. Refusing this solution would mean favouring other kingdoms before Castile, although it was the financial heart of the monarchy. Third,

³⁴⁹ The predictable outcome of the truce affected the whole monarchy. For some examples, see Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 787', Letter, (1 September 1557); Charles V to Juana of Austria, 'AGS, EST, Leg. 119, 2', Letter, (31 January 1557).

³⁵⁰ Especially since Philip II had instructed the regent Joanna to forbid any money exchange with Rome from January 1557 in the context of the conflict with Pope Paul IV, as discussed in the previous section. More details about this topic regarding the royal decrees in Carlos Morales, 'Mercado Financiero y Crédito Del Soberano En El Tránsito de Carlos V a Felipe II. La Intervención En Los Tipos de Cambio Mediante Las Pragmáticas Del 1551-1557', 287–98.

³⁵¹ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 62'; Carlos Morales, *Felipe II*, 43–44.

opening the money exchanges with the rest of Europe, including Aragon, Valencia, and Catalonia. Portugal was, nonetheless, excluded due to its monetary policy, which had increased the value of its money by royal order.

López del Campo expected that this strategy would attract businessmen to Castile again and force Portugal to restore its previous monetary policy. The *factor general* was a proponent of an early version of an ideology based on the *laissez faire* concept because, as his correspondence suggests, he believed that the state should rarely intervene in the market. Apart from the abovementioned suggestions, the *factor general* also recommended less state coercion in the market and proposed two points for the consolidation of a new political and financial agenda. The first point was the cancellation of the royal decree that fixed the interest rates of money exchanges with foreign states. His second proposal recommended the prohibition of fair banks (*'bancos de feria'*) in the Castilian fairs. The former point aimed to attract businessmen once again, despite their intrusive policies towards the interest on the exchanges. The latter signified a significant change in the way of doing business in the fairs of Castile.

The *bancos de feria* were bankers who arrived in any Castilian city which was about to celebrate a fair, either commercial or purely financial. Once there, these businessmen presented themselves before the local council and made deposits to ensure their solvency in case they went to bankrupt during the fair. If the local authorities accepted them, including the royal representative (*corregidor*), they could open bank accounts for all the merchants who arrived in the fair. Their services consisted in providing a cashless system at the fairs based on guarantees that merchants and financiers deposited in their temporary banks.

Once merchants and financiers finished their business, they checked their bank account and if they did not owe anything they could leave without any issue. However, if they had an overdraft, they had up to twenty days in which to clear it. Sometimes the fair bankers offered advances to those insolvent clients at an interest rate ranging between 14.2% and 33.3% on the principal.³⁵² The bankers, in sum, benefited from solvent and insolvent businessmen alike, a situation that improved during economic and

³⁵² A more detailed explanation about the process in Espejo and Paz, *Las antiguas ferias de Medina del Campo*, 77–78.

financial crises, such as the one generated by the royal decrees of the 1550s. The dangers inherent in the abusive services of these bankers encouraged López del Campo to recommend that transactions should take place with cash and without the agency of the fair banks, just as happened in the other territories of the monarchy.

This proposal to reduce royal influence in the markets coincided with another big issue that worried the monarch: his debts. López del Campo estimated that the royal incomes in Castile could only generate 320,000 ducats in 1557, while the expected ordinary expenses for the same year amounted to 586,666 ducats.³⁵³ With the ongoing war against France and its allies, it was urgent to find a solution, especially regarding the increasing interest.³⁵⁴ López del Campo discussed the issue with Luís Hurtado de Mendoza Pacheco, marquis of Mondéjar, and Gutierre López de Padilla to propose a way of overcoming this financial problem. The marquis was president of the Council of the Indies and member of the State and War Councils, while López de Padilla was member of the Council of Finances and major accountant since the 5th February of that year, just four days after López del Campo wrote the report.³⁵⁵ In sum, these two men had influence and information about almost anything important that happened throughout the monarchy.

Their project consisted in stopping payments on the floating debt of the king, which was estimated at six million ducats plus 840,000 more in interest. The next step would be to undertake precise accounting surveys about what Philip II owed to his lenders until the 1st January 1557 and in the meanwhile consolidate all these debts - including principal and interest - into *juros al quitar* at 5% of the annual interest.³⁵⁶ The *factor general* suggested ordering López Gallo, his colleague in Flanders, to redeem 300,000 or 400,000 ducats of those *juros* each year, starting with the Fugger family, in order to show goodwill for repayments. With this financial tactic, the king would recover

³⁵³ The original figures were given in *maravedis*, 120 and 220 million respectively. The amount has been converted to ducats, at 375 maravedis each, to ensure consistency throughout the text.

³⁵⁴ '[...] es menester poner orden en lo de los intereses [...]' in Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 62'.

³⁵⁵ Carlos Morales, *El Consejo de Hacienda de Castilla, 1523-1602*, 60, 80.

³⁵⁶ The royal lenders Rodrigo de Dueñas and Costantin Gentil (representative of the Centurione family) proposed in mid-1555 a similar project that consisted in granting packs of *juros* at 10% interest to be redistributed among investors for a limited period in exchange for a steady cash flow to the royal treasury. For more details, see Pulido Bueno, *La familia genovesa Centurión*, 143.

some earmarked revenues that he could use immediately, as well as continue progressively to reimburse his debts to the lenders. The royal reputation and solvency would recover and misinformation about the real state of the royal incomes would not spread among financiers, thus reducing the financial costs.

López del Campo also proposed new taxes to ease the reimbursement of those debts, such as an imposition of 5% on the value of any exports by sea and another tax on wool exports. The latter tax had a double purpose: providing funds to a badly damaged treasury, on the one hand, and attacking the French economy and industry through the increase of prices in wool imports to that kingdom, on the other. The tariffs that the *factor general* proposed for this new tax were one ducat per sack of wool to Flanders and two if the goods travelled to France or Italy. López del Campo foresaw that such fiscal novelties would create unrest among the main groups of merchants and, thus, local elites with influence in the *cortes*. To counteract any resistance, the monarch should negotiate with the two leading poles affected: Burgos and Seville. The former would suffer the most damage because most of the commerce to the North passed through that city.

In order to minimise the resistance in Burgos, López del Campo suggested the abolition of an old decree that obliged wool exporters to bring clothes and linens back to Castile after having concluded their wool business, a law that increased their expenses and interfered in their freedom as independent businessmen. This measure would satisfy the petitions the Castilian cities had made since the last *cortes* of 1555, a gesture that would calm not only the elites of Burgos but also other minor polities involved in the wool trade. In addition, the monarch could also promise the abolition of the new tax on exported wool after ten years from its official enactment. Convincing the Sevillian elites, on the other hand, would simply require the restoration of money exchanges, a first step to the recovery of the commercial dynamic.

López del Campo thus concluded that the outcomes of this non-interventionist policy combined with a new fiscal policy could be used as a military weapon with which to weaken and influence other powers, such as France or Portugal. The *factor general* thus appealed for a less coercive approach and preferred negotiating with local powerholders, an uncommon pattern among medium- and high-ranking officials

working for central administrations. Nevertheless, these tactics could only work if the other administrative bodies of Castile collaborated, something that the Council of Finances was not likely to do because it would entail accepting reforms that endangered the personal agendas of its members. As result of their foreseeable reluctance, López del Campo preferred not to inform the Council about the plans for consolidation yet, especially the task of recovering *juros* already issued with an interest of 7.14% with the money coming from freed allocations.³⁵⁷ This resistance encouraged López del Campo to recommend the creation of an official committee formed by the Marquis of Mondéjar, López de Padilla, the Licentiate Vaca de Castro and himself. Their goal was to find additional options to complement those already proposed. Nonetheless, the fact that this select group of people was characterised by their allegiance to the Ebolist party was even more important than the motivations of the committee.

Since Eraso had managed to have López del Campo appointed as *factor general*, other important members of this faction had risen to high ranks in the royal administration. For example, Ruy Gómez de Silva, co-founder of the *Factoría General* and head of the court party, also became major accountant on 20th January 1557. Bernardino de Mendoza, who had been captain general of the galleys in the Mediterranean Sea, also joined the group as major accountant on 2nd February, as López de Padilla did on 5th February.³⁵⁸ Vaca de Castro, finally, became temporary president of the Council of Castile.³⁵⁹ The introduction of members of the Ebolist party to the financial institutions of the monarchy undermined the resistance of the regency government to reforms. In this sense, the personal agenda of López del Campo as a medium-ranking official coincided with the interests of the other members of the royal administration, and they thus helped each other to progressively increase their influence in the main institutions of decision-making.

³⁵⁷ 'AGS, EST, Leg. 121, 65' (Report, 1557).

³⁵⁸ Carlos Morales, *El Consejo de Hacienda de Castilla, 1523-1602*, 80; before aligning with the Ebolist party, Mendoza had been a close friend of Alba, who was in the rival faction. However, this shift in friendships obliged Alba to impede Mendoza's career in the royal administration with all means at his disposal. See Dionisio A. Perona Tomás, 'Mendoza, Bernardino De', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/12618/bernardino-de-mendoza>.

³⁵⁹ Martínez Millán, *Instituciones y Elites de Poder En La Monarquía Hispana Durante El Siglo XVI*, 164.

The Council of Finances was aware of the deterioration of its competences and power since the arrival of the *factor general* in Castile with his instructions. Its reaction focused on counteracting the rise of López del Campo, who was collecting too many incomes and positions in the royal administration.³⁶⁰ This was one of the main warnings the Council made to Philip II, emphasising that the *factor general* intended to become the only person, or someone of his choice, who could manage the royal finances. This concentration of power sought to transform the *factor* into a sort of general payer of the Castilian militias and navy, officials in the royal chancelleries, and members of the royal councils. In sum, López del Campo could become an all-powerful man in Castile with influence over the military, political, and financial spheres.

This conclusion of the Council of Finances was not simply an artificial illusion created to defend its share of influence with the king, but an ongoing process. An anonymous summary report written in Valladolid in 1557 contained the main points of the report and a letter that López del Campo sent to Philip II on 1st February, where the *factor general* declared that royal accountants wanted to transfer powers over the tax collectors and general recipients of royal rents to him.³⁶¹ In this way, he would be able to choose these royal servants and facilitate the management of the Castilian finances without harming the royal estate. The way the document described this episode and others stressed the good will of the *factor general* before his enemies at the regency court, which suggests that a collaborator of the Ebolist party wrote this list. The most probable candidate is Ruy Gómez de Silva, who docked near La Corunna (Galicia) on 10th March after being appointed major accountant of Castile and the Indies in February.³⁶²

His first stop was Valladolid, where he introduced himself to the regency and shared his instructions. Philip II had ordered him to collect 2,450,000 ducats -1,650,000 ducats from the Habsburg Low Countries and 800,000 ducats from Italy - to counteract the French military campaigns.³⁶³ On 20th March he departed from the regency court to

³⁶⁰ Council of Finances to Philip II, 'AGS, EST, Leg. 114, 5-7'.

³⁶¹ 'AGS, EST, Leg. 121, 65'.

³⁶² Ruy Gómez de Silva to Charles V, 'AGS, EST, Leg. 121, 5', Letter, (3 November 1557); Carlos Morales, *El Consejo de Hacienda de Castilla, 1523-1602*, 80.

³⁶³ The king reiterated his needs in two letters written on 13th and 15th February. See Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 230', Letter, (24 April 1557); Council of Finances to Philip II, 'AGS, EST, Leg. 121, 111', Letter, (24 April 1557).

visit the emperor Charles in Yuste before meeting with Cardinal Silíceo in Toledo, the head of the Castilian clergy who had led the resistance against the ecclesiastical contribution the previous year as analysed in the previous section.³⁶⁴ De Silva gathered information about the real state of Castile and the best way to fulfil the instructions that Philip II had given to him.³⁶⁵ His arrival was providential for the career of López del Campo, though he was unable to service the royal demands, because he was not allowed to arrange new money exchanges or *asientos* without a royal order specifically issued by the monarch.³⁶⁶ Therefore, the burden passed to the regent Joanna, who could mint as much bullion as she could find in the *Casa de la Contratación*.³⁶⁷ The amounts of American gold and silver held in Seville had diminished progressively since Philip II ordered them to be confiscated in September 1556, a directive that the regency government did not forward to the officials in the *Casa de la Contratación*.³⁶⁸

The result of this disobedience was the disappearance of most of the precious metal. Emperor Charles V first informed Princess Joanna that the treasure was estimated at seven or eight million ducats; later it was five million, and finally 500,000 ducats.³⁶⁹ Emperor Charles was outraged and from Yuste where he was at the time chided the Sevillian officials and the Princess Joanna's councillors for tolerating this. Bearing in mind his advanced age of 57 years, the emperor expressed his intention of writing to Philip II to recommend that he mete out extraordinary justice to the people responsible for this calamity. Charles V, however, decided not to wait until the king had issued his proposed punishment and instead appointed Luís Quijada to see who was responsible in Valladolid.³⁷⁰ A thorough investigation ordered by the regency followed in Seville. While the inquiry was underway, the members of the Councils of Finances and the Indies blamed each other and declared themselves not guilty.³⁷¹

³⁶⁴ Joanna of Austria to Philip II, 'AGS, EST, Leg. 120, 241', Letter, (20 March 1557).

³⁶⁵ De Silva's instructions in Philip II, 'AGS, EST, Leg. 515, 92' (Instruction, Brussels, 2 February 1557) reference taken from Carlos Morales, *El Consejo de Hacienda*, 80; see also Royall Tayler, ed., *Calendar of State Papers, Spain: 1554-1558*, vol. 13 (London: Her Majesty's Stationery Office, 1954), 285–87.

³⁶⁶ Charles V to Joanna of Austria, 'AGS, EST, Leg. 119, 2'.

³⁶⁷ Charles V to Juan Vázquez de Molina, 'AGS, EST, Leg. 119, 16', Letter, (27 February 1557).

³⁶⁸ Rodríguez-Salgado, *The Changing Face of Empire*, 209.

³⁶⁹ Charles V to Joanna of Austria, 'AGS, EST, Leg. 119, 22', Letter, (1 April 1557).

³⁷⁰ Luís Quijada to Charles V, 'AGS, EST, Leg. 121, 8', Letter, (4 August 1557); Luís Quijada to Philip II, 'AGS, EST, Leg. 121, 9', Letter, (4 August 1557).

³⁷¹ Council of Finances to Philip II, 'AGS, EST, Leg. 121, 111'.

It was already April 1557 and the monarch needed the money he had requested instead of worrying about what happened in the *Casa de la Contratación*, though he would later impose a severe punishment.³⁷² A double solution was adopted. First, López del Campo received 600,000 ducats held in Seville – 100,000 ducats more than had been estimated in February. Second, the *factor general* contracted a money exchange of 180,000 ducats at the Lent fair in Villalón.³⁷³ While 30,000 ducats were paid to the Count of Feria, the remaining 150,000 would join the money that awaited in Laredo on the northern coast. Transporting the money to the Low Countries, however, would require the assistance of the merchant fleet because the royal navy that was docked in Laredo and captained by Luís de Carvajal was not ready.³⁷⁴ Nevertheless, the most interesting part of this supply of funds was the independence of López del Campo.³⁷⁵ If in February 1557 he could not arrange money exchanges without a royal letter, by April he decided to risk his own position to serve the king.³⁷⁶ The difference between these two moments was the presence in Castile of Ruy Gómez de Silva, who doubtlessly supported the decision of López del Campo.

Step by step, the king came to tolerate this type of improvised administration by medium-ranking officials like López del Campo. Indeed, the monarch followed the advice of the *factor general* and restored the money exchanges within Castile and with Valencia.³⁷⁷ Although the Council of Finances limited their use, some businessmen dared to trade with them. It was clear that the regency government was progressively relinquishing its opposition before the strategies of Gómez de Silva, Eraso and López del Campo. Indeed, the Council wrote to Philip II on 24th April recommending the application

³⁷² Emperor Charles V ordered the public arrest and imprisonment of the responsible people in the castle of Simancas, near Valladolid, until Philip II sent his final decision on what was to happen to them. See Charles V to Juan Vázquez de Molina, 'AGS, EST, Leg. 119, 34', Letter, (5 December 1557).

³⁷³ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 230'.

³⁷⁴ The navy departed on 24th March, but it was stuck by bad weather and returned to be repaired. See Joanna of Austria to Philip II, 'AGS, EST, Leg. 120, 241'; Luís de Carvajal to Juana of Austria, 'AGS, EST, Leg. 122, 92', Letter, (4 June 1557).

³⁷⁵ The sales of *regimientos* and *escribanías*, the right to rule municipalities and be public scribe respectively, were estimated at another 150,000 ducats. Along with other incomes, the *Factor general* hoped to collect one million ducats for Flanders.

³⁷⁶ His service to Philip II went beyond arranging money exchanges. The *factor general* always aimed to engage his friends to provide funds to the monarch, though sometimes it was necessary to use the agency of his brother, Lope del Campo.

³⁷⁷ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 230'.

of the plan to consolidate the floating debt that the *factor general* conceived.³⁷⁸ On the same date, Gómez de Silva and the accountant López de Padilla wrote to Philip II advising him of the immediate implementation of the plan.³⁷⁹ None of these royal officials, however, knew that the king had already initiated the financial reform.

2.3. The consolidation of Fernán López del Campo in the administration and the difficult enforcement of his project

On 17th April 1557, Philip II sent from London a letter to his Council of Finances in Castile.³⁸⁰ In this missive, the monarch ordered the cessation of payments on his floating debt and its immediate consolidation into *juros al quitar* with a 5% interest rate, in addition to issuing the new tax on wool exports that López del Campo had suggested in February. Just a day later, Philip II wrote another letter to his bishops, leading nobles, and high officials demanding a generous economic contribution to support his military defence against the Pope and the invasion of France with a new army.³⁸¹ It was clear that Philip II had entered a new phase of the armed conflict, in which he needed all the liquidity and solvency he could derive from the monarchy. In effect, Hispanic troops had commenced a counteroffensive and were marching towards Saint Quintin, plundering everything they found in their way.³⁸²

In the meantime, Ruy Gómez de Silva was in Castile collecting funds with the help of López del Campo to pay the troops on the French border and in Italy. The diminished treasure of the Indies was not enough to meet the royal expectations and the regency appeared to be responsible for this. There was no other option but to decree the suspension of payments, a decision that the regent Joanna and her ministers delayed until they reached an agreement with Philip II about the financial administration of the royal households. The monarch, foreseeing the resistance of the regency to enforcing

³⁷⁸ Council of Finances to Philip II, 'AGS, EST, Leg. 121, 111'.

³⁷⁹ Their letter included a detailed statement of the royal finances and the means taken to obtain liquidity, such as the sale of municipal lands or jurisdictions. See Ruy Gómez de Silva and Gutierre López de Padilla to Philip II, 'AGS, EST, Leg. 121, 112', Letter, (24 April 1557).

³⁸⁰ Philip II to Council of the Estate, 'AGS, CJH, Leg. 32, 42', Letter, (17 April 1557); a transcription of the decree into modern Spanish has recently been edited by Carlos Morales. See Carlos Morales, *El Precio Del Dinero Dinástico*, 2016, 14.

³⁸¹ Philip II to his bishops, leading nobles and high officers of state, 'CSP, Spain, Vol. 13, 296', Letter, (18 April 1557); Philip II to Juana of Austria, 'CSP, Spain, Vol. 13, 298', Letter, (28 April 1557).

³⁸² On their way, Philip's troops sacked the house of a wealthy lord who used to host Henry II, causing much grievance at the French court. See Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 854', Letter, (4 July 1557).

his orders, in April accepted that limits be placed on the powers of López del Campo.³⁸³ This decision symbolised a truce between the king and the regency as it assured the independence of the latter before the increasing power of the *factor general*. In other words, a medium-ranking official had gone too far and negotiation among high-ranking officials was necessary to preserve the cohesion of the administrative structure of the Hispanic Monarchy.

The fears of the regency were not unfounded. The role of López del Campo as *factor general* was a potential threat. He embodied a shift in the way of financing the monarchy that initially displaced the regency in financial issues. Subsequently, the influence and independence of López del Campo was consolidated also through the appointment of other Ebolist members to the Castilian institutions. The Lent fair of Villalón celebrated in April 1557 demonstrated the capabilities of the new team of officials, but it was in May when the faction exhibited its true potential. On 7th May, López del Campo and Gómez de Silva arrived in Toledo to negotiate new supplies for the monarch and collect ecclesiastical subsidies from Archbishop Silíceo, who was leading the resistance to the forced loan that Philip II had imposed.³⁸⁴

They found the clergyman close to death and preparing his last will, which provides an interesting case study on the role of medium-ranking officials at local level.³⁸⁵ In this will, according to López del Campo, Silício wanted to transfer the patronage of the School of the One Hundred Maidens in Toledo to Philip II, an opportunity that the *factor general* sought to enforce. López del Campo was motivated in this not only so as to increase the piety of the monarch but also to gain rights over the property and its goods. If Silíceo died under these conditions, the royal representative (*corregidor*) of Toledo would register that patrimony for liquidation. Pope Paul IV, still in conflict with Philip II, could claim that patronage for the Church. Bearing in mind the 40,000 ducats that the archbishop owed the emperor, López del Campo advised the monarch to impose his right and thus recover the loan from Silíceo, charging it in kind.

³⁸³ Rodríguez-Salgado, *The Changing Face of Empire*, 238.

³⁸⁴ Fernán López del Campo to Francisco de Eraso, 'AGS, EST, Leg. 121, 217', Letter, (13 May 1557) the money transfers of Silíceo trying to send to Paul IV the previous year, already noted, highlights the long-term resistance of this cleric to the royal policies.

³⁸⁵ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 218', Letter, (13 May 1557).

Although Silíceo was finally able to keep this right in the hands of the next archbishop, the pro-active strategies of the *factor general* and Gómez de Silva to collect funds from any source were being employed at the local level.³⁸⁶

Their intentions, nonetheless, went beyond gaining control of a small property and its income in exchange for some ducats. They sought the agency of Archbishop Silíceo to convince reluctant clergymen to send the remaining sum of the ecclesiastical subsidy (*cuarta*) to the king, something that the Primate of Castile eventually supported.³⁸⁷ The condition *sine qua non* that the high clergy imposed in exchange for their collaboration was to use the money in military campaigns against Algiers and Bugia, Hispanic objectives in the north of Africa. With the collection of this extraordinary contribution, López del Campo and Gómez de Silva sought to obtain liquidity and reinforce the reputation of the monarch by depicting him as a respectable Catholic sovereign.

The synergies of the two royal servants yielded good results as their visit to Toledo was a complete success. The two medium-ranking officials had managed to negotiate the final instalments of the ecclesiastical contribution analysed in the first section of this chapter. In this sense, they succeeded where the regency government of Joanna and her officials, especially Suárez de Carvajal, had failed since 1555. Apart from this well-known achievement, which relegated the regency to a secondary role in terms of its ability to exercise royal authority, López del Campo and Gómez de Silva also closed a deal to rent the income from the *maestrazgos* -territories of the military Orders of Santiago, Calatrava, and Alcantara- for 400,000 ducats.³⁸⁸ Most of the money was to be

³⁸⁶ Ángel Santos Vaquero, 'La Vida En El Colegio de Doncellas Nobles de Toledo', *Hispania Sacra* 69, no. 139 (31 July 2017): 153.

³⁸⁷ The historiography about this second phase in the relations with the Castilian Church is reduced to few lines, leaving the field wide open for further investigation. See Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 605; Rodríguez-Salgado, *The Changing Face of Empire*, 230; about the support of Silíceo see Fernán López del Campo to Francisco de Eraso, 'AGS, EST, Leg. 121, 217'; Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 218', 218.

³⁸⁸ Fernán López del Campo to Francisco de Eraso, 'AGS, EST, Leg. 121, 217', 217; the letter does not provide the names of the lease holders. However, Ulloa briefly pointed to this operation in his classic work, from which it seems that two well-known financiers from Burgos (Juan Curiel de la Torre and Juan Béjar de Lerma) took the rent until 1st January 1559. See Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 557–58.

provided through bills of exchange and silver, which reinforced the royal solvency thanks to the agency of these two medium-ranking officials.

Their success was complete when they received letters from Philip II approving the plan to consolidate his floating debts. Once the situation seemed to favour López del Campo, the *factor general* hastened to explain to his patron Francisco de Eraso that the major accountant, Francisco de Almaguer, was preparing the total amount of debt owed to the royal financiers.³⁸⁹ Nevertheless, the *factor general* also suggested that Almaguer could have profited from managing the royal finances during his commission, thus making a direct accusation of fraud in order to discredit him.

This was not the first time that Ebolist members had tried to discredit Almaguer. In 1556, the royal counsellor Doctor Velasco conducted an investigation against Almaguer.³⁹⁰ Obviously, there was a long-term plan by the Ebolist faction to take full control over the *Contaduría Mayor de Hacienda*, which managed all the information regarding financial issues and authorised payments and collections. Indeed, the final assault on the Castilian higher financial institutions was the petition of the *contadores mayores* Gómez de Silva and Gutierrez de Padilla, also president of the Council of Finances, for the appointment of López del Campo as member of the Council of Finances. However, López del Campo never achieved this position.³⁹¹

When López del Campo returned to Valladolid from Toledo, he tried to enforce the plan for consolidation that the king had approved in April. His efforts were fruitless until 10th June 1557, when Philip II imposed his decision to consolidate the floating debts despite the resistance and delay of the regency in Castile.³⁹² The first shock among the financiers there was to be expected. The businessmen dispatched letters to Lyon, Germany, and Genoa to report the royal decision and receive new instructions as to how they should proceed. López del Campo warned Philip II that delegations of these financiers, especially from Genoa, would soon arrive at his court in the Habsburg Low

³⁸⁹ Fernán López del Campo to Francisco de Eraso, 'AGS, EST, Leg. 121, 217'.

³⁹⁰ Rodríguez-Salgado, *The Changing Face of Empire*, 236.

³⁹¹ Carlos Morales, *El Consejo de Hacienda de Castilla, 1523-1602*, 80–83.

³⁹² Rodríguez-Salgado, *The Changing Face of Empire*, 238; Carlos Morales, *El Precio Del Dinero Dinástico*, 2016, 82.

Countries.³⁹³ Many Genoese high financiers could become bankrupt at the following fairs if the monarch did not reverse his decision or reach individual agreements.

One month after Philip II enforced his decision, López del Campo realised that there was no money to send to Italy. The royal officials there needed 800,000 ducats, but the suspension of payments hindered any chance of meeting that goal. However, the *factor general* again displayed his bargaining skills and agreed an *asiento* with Daniel Spinola for 530,000 golden escudos to Genoa in exchange for 170,000 ducats of old debts plus the principal and an interest rate at 9%. His bargaining strategies were surprising. In addition, he mortgaged his patrimony and a *juro* worth 4,500 ducats and asked his friends for money to provide 55,000 ducats in Florence. Once the currency exchange was calculated, López del Campo was able to send over 600,000 ducats to Italy, quite an achievement given the scepticism of the lending community.³⁹⁴ In sum, after proposing and successfully employing a coercive measure such as the consolidation of the royal debt, López del Campo was in a better position to negotiate with the lending houses.

Yet, in just one month, López del Campo failed to fulfil three basic points of his initial instructions. First, he took an *asiento* without royal permission. Second, he undermined the plan to reschedule the royal debt that he had himself proposed to save the monarchy by promising the repayment of old debts. Third, he was not allowed to do business involving his own and the royal patrimony. Nonetheless, these decisions culminated in his progressive independence by adapting to the circumstances of Castile and the needs of Philip II. Notwithstanding these points, the services of the *factor general* were critical for the first phase of the financial and administrative reform, which Francisco de Eraso reminded the monarch of when he requested a mercy for López del Campo.³⁹⁵ Thus, the cycle of factional and financial struggles ended and the team was ready for the second stage of the great reform of the Hispanic Monarchy, which is analysed in the second part of this thesis.

³⁹³ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 78', Letter, (18 July 1557).

³⁹⁴ [For Italy Your Majesty ordered to provide 800,000 ducats, and at the moment there was no money on hand for this. With this declaration executed on the merchants -the suspension of payments-, all thought that it could not be possible to find any remedy through money exchanges...], see Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 209', 7 May 1557.

³⁹⁵ Francisco de Eraso to Philip II, 'AGS, EST, Leg. 121, 212 Bis', Letter, (1557).

Conclusions:

Many elements converged between 1556 and 1557 to trigger the second phase of the financial reform during the ongoing war, especially regarding the role of medium-ranking officials in the royal administration. First, the political inability and reluctance of the regency to meet the expectations of the monarch forced the latter to create the *Factoría General*. This gave prominence to the Ebolist courtly party headed by Gómez de Silva and Francisco de Eraso, who deployed their protégés in the royal high councils and accounting institutions to gain control of the royal finances. The resulting dispute between the *factor general* and the regency illustrates the shift from the traditional to the new system of financing, a change that was marked by the private agendas of its protagonists. The regency tried to keep the social order in Castile by not interfering in the interests of its subjects and royal financiers, while López del Campo sought his own promotion by proposing a master plan for the king's war.

Second, the demands for money that Philip II sent to the regency and his *factor general* in January 1557 were simply overwhelming. The economic policy of royal edicts undertaken since the early 1550s resulted in a critical fiscal and, therefore, financial situation in Castile. The liquidity needed for *asientos* also worked for minor merchants. The pyramidal scheme of credit analysed in the first chapter of this thesis explains the problem. If local investors who used the services of Genoese brokers had no money, neither could the king have it. The Italian intermediaries would be unable to find savings to channel towards the royal needs, which froze the credit market. This system blurred the frontier between what could be called private and what public finances.³⁹⁶

Third, the importance of conflict, both domestic and external, was an undeniable triggering element of the first phase of financial transformation. The increase in armed conflicts during this period stressed the importance of the space where these encounters took place because resources had to be mobilised accordingly. The political dispersal of the Hispanic Monarchy obliged a division between forces and funds. The *Factoría General*, a formal institution based on the instructions given to its members, became the inevitable solution to an ineffective response system that had been in use for half a century. As regards domestic security, the war with the Papal States meant the

³⁹⁶ Alonso García, 'Ducados Entre Dos Dinastías. La Circulación de Capital Entre Castilla y Flandes a Comienzos Del Siglo XVI', 99.

Castilian Church posed a serious threat to the king's funding in 1556 and 1557, which was only resolved after lengthy and individual negotiations with the heads of the higher clergy.

Fourth, Suárez de Carvajal and López del Campo embodied what serving the king meant. Their willingness to fulfil their duties embraced a sentiment of obligation towards the sovereign and responsibility towards the monarchy. However, it was their private agendas what encouraged the two medium-ranking officials to develop their careers alongside the monarch. The constant reminders of their great efforts, such as the help of family and friends, to serve the monarch were a symbol of commitment. In addition, their individual interests were not exempt from converging or coming into conflict with other agendas. Whereas Suárez de Carvajal found his foe in the secretary Vázquez de Molina, López del Campo had his own among the officials serving the regency.³⁹⁷ In this sense, conflict and collaboration among royal officials were constant patterns in their administrative relationship. In other words, medium-ranking officials played an important role in the consolidation of the early modern state by channelling their personal agendas through the royal authority, as framed in a context of institutional, political, and economic conflict.

Finally, this thesis provides a new way of analysing the suspension of payments in April-June 1557. Instead of looking at the role of high institutions such as the regency and the Council of Finances, this chapter focuses on medium-ranking royal officials immersed in the factional conflict of an international court. The analysis of the case studies of Suárez de Carvajal and López del Campo shows a new perspective from which obedience to the highest authority left room for manoeuvre to take independent and informal decisions. This behavioural perspective on the members of formal institutions also refreshes the traditional literature referred to in this chapter, which looks at this financial and political episode through long-term narratives and which has broader goals that do not take account of details. In sum, this doctoral thesis aims to complement, and sometimes contest, the existing literature on state construction by investigating the people who were usually behind the first heads of the administration.

³⁹⁷ The *factor general* also was in constant conflict with the other *factores* in the institution. The analysis of this competition for the primacy in the *Factoría General* and the role of that clash in the process of state-building has intentionally been left aside for a future journal article.

Chapter 3. Fiscal solutions to financial problems: a common strategy in the private agendas of high-ranking state-builders

Introduction:

The studies on the financial crises of the Hispanic Monarchy have often focused on either the relationship between financiers and the royal administration, or the bargaining process between the monarch and regional elites to increase the income ceiling of the sovereign.³⁹⁸ These two perspectives, therefore, tend to frame relations through the interest of the monarch. However, royal servants had a personal concern in the success of those operations too. These officers channelled their private agendas through the authority of higher authorities, namely their sovereigns. This chapter analyses the strategies of high-ranking state-builders through three case studies to demonstrate that the role of Genoese relational capital in the state-building process, the core subject of this dissertation, was complementary.

The first section examines the interests of Emmanuel Philibert, duke of Savoy, when he was in the service of Philip II in 1556. More specifically, the study of this nobleman focuses on his actions to provide the Hispanic sovereign with funds during the war with France. The second part of this chapter examines the case of Cardinal Carlo Carafa and his strategies to finance the war of Pope Paul IV against the Hispanic Monarchy between 1555 and 1557. The third section, finally, examines the agency and agenda of another clergyman, the cardinal of Lorraine, also from the perspective of how the war against the Hispanic Monarchy between 1556 and 1559 was financed.

The comparative analysis of these three case studies together reveals the common strategies they used to accomplish their personal goals. Each subject followed a systematic process of initial negotiation with regional and local elites to then follow this up with soft and hard coercion if necessary. The multiple levels of coercion illustrate how useful this strategy was for high-ranking state-builders and their patrons. Notwithstanding the logical differences between these three case studies, due to their individual social environments, it is possible to detect a common need for international warfare to pursue their personal goals. Therefore, this chapter argues that high-ranking

³⁹⁸ Some recent examples in Sanz Ayán, *Un banquero en el Siglo de Oro*, chap. IV and p. 108; Drelichman and Voth, *Lending to the Borrower from Hell*, 78.

officers inside central administrations participated in the state-building process by using conflict as an excuse to accomplish their own agendas.

3.1. The duke of Savoy and the States-General of 1556 in the Habsburg Low Countries:

The duke of Savoy and his agenda:

Few men exemplify better what a high-ranking state builder was in the early modern period than Emmanuel Philibert. His education was not originally intended to lead to a political career, but to supporting the family agenda from positions within the clergy.³⁹⁹ The death of his older brother Luigi in 1536, however, made Philibert the heir of the duchy of Savoy, which had been incorporated into the French monarchy that year. Philibert, exiled with his family from their patrimony, joined the service of Charles V in 1545, when he was only seventeen, to assist the emperor in his campaign against the Schmalkaldic League (1546-1547). Philibert proved to be a capable military man and a cunning courtier. His services were rewarded with membership of the Order of the Golden Fleece in 1546. During his stay at the imperial court, Philibert managed to establish a durable friendship with the influential Antoine Perrenot de Granvelle, whose role at the court increased with the retirement of his father in 1547.⁴⁰⁰ Two years later, Philibert met his cousin Prince Philip in Brussels, who was just a year younger than him. From that moment, Philibert and Philip strengthened their relationship through actions such as Philibert escorting the prince back to Castile in 1551 before joining the emperor for the siege of Metz in 1552.

His father Charles died in August 1553, making Philibert the duke of Savoy the following year.⁴⁰¹ Although the new duke had no patrimony, he was set on recovering it. Barely three weeks after Philibert became duke of Savoy, he wrote his last will. The duke named his cousin Giacomo as universal heir of all his domains if he defected from the

³⁹⁹ The following details about the life of Emmanuel Philibert have been extracted from two biographies. See Miguel Ángel Echevarría Bacigalupe, 'Saboya, Manuel Filiberto De', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/13388/manuel-filiberto>; Enrico Stumpo, 'Filiberto, Emanuele (Duca Di Savoia)', in *Dizionario Biografico Degli Italiani*, 1993, http://www.treccani.it/enciclopedia/emanuele-filiberto-duca-di-savoia_%28Dizionario-Biografico%29/.

⁴⁰⁰ Ricardo Gómez River, 'Perrenot de Granvela, Antonio', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/11263/antonio-perrenot-de-granvela>.

⁴⁰¹ Philibert was invested duke by Charles V on 15th July 1554. See Stumpo, 'Filiberto, Emanuele (Duca Di Savoia)'.

service to the French monarch. If Giacomo refused or died without heirs, his other cousin Philip could inherit the duchy. In effect, the new duke of Savoy swore loyalty to the Habsburg cause against the monarchy of France in this document.⁴⁰² The subsequent reward for the duke was King Philip's promise to appoint him lieutenant and captain-general of the imperial army when Charles V departed for Castile.⁴⁰³

Nevertheless, an additional title was promised to the duke. King Philip also wanted the duke of Savoy to govern the provinces using the title of regent, which Queen Mary of Hungary had employed since 1531.⁴⁰⁴ However, Mary kept control of the government longer than initially expected.⁴⁰⁵ In mid-December, for example, the Venetian ambassador Badoer reported on the meetings of the State Council. Besides presiding over the chamber, Mary of Hungary always entered the room first and often had to call for the duke of Savoy as for any other councillor.⁴⁰⁶ Mary of Hungary was not happy with the duke as governor-general of the provinces, making it clear that she preferred him to be sent to govern Milan and marry the duchess of Lorraine. Details of this resistance to the duke in the highest institutions are common in the correspondence of the Venetian ambassador Federico Badoer.⁴⁰⁷ The general distrust of Mary and the resistance of the provinces against the title of regent for the duke, resulted in his appointment as governor-general instead with the abdication of Charles V on 25th October 1555.⁴⁰⁸

His appointment as governor-general was ratified by all the provinces except Brabant, which firmly resisted recognising him as governor. Brabant preferred the duke to be just a representative of the monarch, rather than someone with institutionalised powers. This argument was not, of course, the only complaint. The duke was a foreigner in the highest position of the royal administration, just below the new sovereign. This

⁴⁰² Surprisingly, the executors of this will were Queen Mary of Hungary, Granvelle, and Ruy Gómez de Silva. See *ibid.*

⁴⁰³ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 243', Letter, (10 October 1555).

⁴⁰⁴ *Ibid.*

⁴⁰⁵ The manifest resistance of the provinces to recognising the duke as governor hampered his career in the royal administration. Although the duke oversaw many issues in the provinces, including their military defence, it seems King Philip chose to not grant full powers to Savoy yet. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 262', Letter, (31 October 1555).

⁴⁰⁶ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 318', Letter, (18 December 1555).

⁴⁰⁷ *Ibid.*

⁴⁰⁸ Echevarría Bacigalupe, 'Saboya, Manuel Filiberto De'; Koenigsberger, *Monarchies, States Generals and Parliaments*, 173.

privilege bothered the provincial elites, who were left out from key spaces of power and lost influence in the decision-making processes.⁴⁰⁹ The counts of Lalaing, Egmont and Hoorn, although important native supporters of the royal government, supposedly followed the orders of the duke and not the other way around.

From his new privileged position, the duke followed the policy of continuing the war at any cost, which worried the provincial elites. The duke of Savoy did not want to lose the war against France because it could mean the loss of his occupied duchy in northwest Italy. Therefore, it was in the duke's personal interest to provide new sources to fund the ongoing conflict, which meant the impoverishment of the Habsburg Low Countries. Once again, as is underscored in every chapter of this dissertation, the service to the monarch was a reciprocal relationship based on mutual obligations.⁴¹⁰ Whereas Savoy helped Philip II to defend his states, the king was expected to help the duke recover his duchy. This mutually self-enforcing relationship was a tacit recognition of bilateral rights, a sort of syndicated lending because none of the sovereigns could satisfy their needs on their own and hence created a military business in which both partners had liabilities.⁴¹¹ In this sense, private initiatives and public policies intermingled through individual state builders that were present at every level of the monarchy. The following chapters stress this point and offer a comparison between high statesmen and independent entrepreneurs who, participated in the state construction from different areas but with similar strategies and goals.

When peace is a threat: the duke's personal agenda at risk

Since continuing the war was the duke of Savoy's only option to accomplish his personal goals, the treaty of peace that Pope Paul IV was promoting between the Hispanic Monarchy and France posed a great threat to his plans. Paul IV had instructed Reginald Pole, cardinal of England, to negotiate a text that satisfied both monarchs by the end of 1555. Pole's mission, nonetheless, was a deceit because Henry II and Paul IV

⁴⁰⁹ The appointment of someone other than the emperor or the king to govern, especially if that person was a foreigner, was a main complaint of the provinces even before Charles V abdicated and notwithstanding their oath of loyalty. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 252', Letter, (23 October 1555).

⁴¹⁰ Esteban Estríngana, *Servir al rey en la Monarquía de los Austrias*, 11.

⁴¹¹ The concept of syndicated lending is generally used in Economics, but it is also applicable to this case. See its definition in Drelichman and Voth, *Lending to the Borrower from Hell*, 142.

had already signed a military alliance on 13th October 1555 to expel the Hispanic Monarchy from Naples, Sicily and Milan.⁴¹² Pole, unaware of the Franco-Papal intentions, sent his secretary Vincenzo Parpaglia, abbot of Saint Salutto, to the Hispanic and French courts. Parpaglia arrived in Brussels in late December, where he met with king Philip and Perrenot de Granvelle. The correspondence of the Venetian ambassador Federico Badoer in Brussels illustrates some details of the negotiation and the consequences it had for the duke of Savoy.

Throughout the month of January 1556, king Philip and Charles V negotiated on behalf of the duke regarding his states in northwest Italy. A preliminary deal arranged for the restoration of the duke of Savoy to his duchy while Henry II's second surviving son, the duke of Orléans, governed Milan as governor until his first son was appointed duke.⁴¹³ However, the treaty also stipulated that the duke of Savoy could not hold the fortresses in his territory, which were left in French hands until the new duke of Milan was designated. The text was, therefore, unfavourable to the duke of Savoy, who would become just a powerless puppet rather than the ruler of his patrimony. The duke then requested from King Philip and Charles V the duchy of Milan and a marriage suitable to his status that would let him preserve his dignity. If the sovereigns were to reject his proposal, then the duke requested permission to negotiate on his own.⁴¹⁴ When king Philip discussed this issue with the duke of Savoy again, the nobleman openly complained about the resulting situation for him and his states.⁴¹⁵

Instead of a peace treaty, a truce with France was finally agreed in Vaucelles on 3rd February.⁴¹⁶ No territorial restoration was agreed, which left the duke of Savoy without any compensation but with an annual pension of 25,000 francs from the French monarch until the end of the truce. The duke refused this annuity because he considered

⁴¹² Kenneth Meyer Setton, *The Papacy and the Levant, 1204-1571* (American Philosophical Society, 1984), 640.

⁴¹³ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 335', Letter, (1 January 1556); Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 346', Letter, (1 October 1556).

⁴¹⁴ In cypher. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 346'.

⁴¹⁵ This part of the letter was in cypher, thus preventing anyone from discovering the disagreements between king Philip and the duke of Savoy. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 352', Letter, (15 January 1556).

⁴¹⁶ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 379', Letter, (2 June 1556); Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 380', Letter, (2 July 1556).

it an offense to his cause.⁴¹⁷ The nobleman had lost his state and the possibility of receiving another in exchange. Notwithstanding his public rage against the Hispanic sovereigns, who did not relieve him from defending their states, the duke did not consider renouncing their service because this could mean the end of his claim to the duchy of Savoy.

As a result of this conflict, the duke of Savoy had to sharpen his cunning skills to accomplish his personal goals, which required a peace treaty with France that could be beneficial for the duke and King Philip. In this sense, the duke had to resume the war and achieve a decisive military victory. The means to fuel his warmongering strategy was the money he intended to provide Philip II through an agreement with the provincial representatives of the Habsburg Low Countries, which had initially been summoned to meet in Brussels on 1st March.⁴¹⁸ However, the meeting did not start until 12th March.⁴¹⁹

The duke's fiscal strategy in the States-General of 1556:

Although the truce with Henry II had been signed, it may not have lasted long and the Papal remonstrances in Italy against the truce were a forewarning of the need to reorganise the military forces and obtain new sources of funding to keep borrowing if this proved necessary.⁴²⁰ It was general knowledge that Philip II expected a generous contribution from the provincial delegates to pay the courtiers as well as the Hispanic armies and German mercenaries on the borders with France.⁴²¹ As usual, the session opened with the monarch asking for subsidies (*aides*), which the provinces conceded graciously so as to demonstrate their loyalty.⁴²² Philip II argued that he had incurred

⁴¹⁷ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 382', Letter, (2 August 1556).

⁴¹⁸ Philip II had already dispatched the grand bailli of Hainaut, the count of Lalaing, on 8th February to summon the provincial deputies by the 1st March in Brussels. See Louis Prosper Gachard, *Lettre à MM. les questeurs de la Chambre des représentants: sur le projet d'une collection de documents concernant les anciennes assemblées nationales de la Belgique* (Société typographique belge, A. Whalen et Cie, 1841), 87; therefore, the news reported by the Venetian ambassador suggesting that the monarch could require the presence of the provincial deputies in Antwerp at the end of February was out of date. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 410', Letter, (24 February 1556).

⁴¹⁹ Koenigsberger, *Monarchies, States Generals and Parliaments*, 180; Rodríguez-Salgado, *The Changing Face of Empire*, 189.

⁴²⁰ The Venetian ambassador in Rome reported the Pope's complaints and fears over the danger to the Papal territories. See Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, 419', Letter, (3 July 1556).

⁴²¹ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 418', Letter, (3 May 1556); Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 421', Letter, (3 September 1556).

⁴²² Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 426', Letter, (14 March 1556).

large debts to protect those provinces with his armies. He estimated his expenses were worth 1.5 million crowns, though additional charges had been made to cover extraordinary issues.

Seeking a long-term solution to his financial problems, which mostly prevented the monarch from arranging new money exchanges at acceptable interest rates, the duke of Savoy suggested a new fiscal policy that Philip II proposed to the States-General on 12th March.⁴²³ The proposal consisted of the enactment of two new duties of 1% and 2% on the value of real estate and moveable goods respectively.⁴²⁴ Notwithstanding this exceptional demand, the monarch promised to abolish those taxes after two years. Just a year later, Philip II promised a similar condition to the cities of Castile when he imposed a temporary new tax on wool exports – to be analysed in the last chapter of this dissertation – with a similar result. Therefore, the monarch gave his new fiscal policies a touch of temporality to facilitate their implementation before the representative institutions. However, the taxes not only remained, but they also increased in value progressively.

Apart from the expected duration of the two new taxes, the conditions of their payment make clear the reasons for the subsequent resistance to them.⁴²⁵ The tax of 2% on moveable goods worried the provincial elites because it could reveal the wealth of individuals. The duty was based on a previous proposal made in 1543, though its collection mechanism was more sophisticated this time. Collectors should use local records to find commercial operations, although private properties (e.g. jewellery, clothing, furniture, etc.) remained unknown unless they were traded. The payment of the tax to the royal administration would take place in three instalments: Saint John's Day (24 June 1556), Christmas 1556, and Saint John's Day (24 June 1557).

The 1% tax on real property, on the other hand, was calculated on the duty using the data from the previous six years in the regional records. In other words, the monarch intended to charge this duty by using the administrative tools already present in the provinces. Whoever had a mortgage for houses and industrial properties had to pay the

⁴²³ Gachard, *Lettre à MM. les questeurs de la Chambre des représentants*, 87.

⁴²⁴ Ibid.

⁴²⁵ A detailed account of these conditions in Dutch can be found in K. Verhofstad S.J., 'De Regering Der Nederlanden in de Jaren 1555-1559' (Nijmegen: Berkhout, 1937), 84–86.

tax. If there was a leasing contract, the leaseholders were exempted from paying, thus charging the duty to the owner of the property. Sacred properties were also exempt, such as churches, graveyards, or chapels. The territories devastated by the war with France were to be specially considered but were not exempt from the beginning. Apart from real estate, this tax was also charged on financial investments. For example, whoever had a letter of debt from public bodies (e.g. local *renten*) had to pay the 1% tax. The mechanism to speed up its collection was based on the collaboration of debt issuers, who advanced payment of the tax to the monarch and then paid less interest to bondholders when the bond matured. In other words, debtholders had no choice whether to contribute or not, since public bodies like cities already enforced their collaboration.

The characteristics of this new fiscal proposal made the duke of Savoy the target of criticism from deputies and native powerholders alike. This was not surprising since the proposal attacked the interests of landowners and merchants at local level, and provinces at regional scale.⁴²⁶ Apart from charging properties and transactions, as Tracy has already stated for the case of Holland, a higher royal taxation might endanger the chances of the provinces from obtaining credit due to the already constrained fiscal burden.⁴²⁷ In other words, the royal overtaxing of the provinces to obtain more funds and access to credit seriously reduced the provinces' ability to also finance themselves.

Apart from the pecuniary aspect of the ducal strategy, the duke also threatened the traditional privileges and exemptions of the local ruling elites. The provincial delegates had the customary month to consult with their home provinces to receive an answer regarding the royal petition. Whereas some representatives left for their provincial parliaments, others remained in Brussels to propose an alternative solution rather than accepting the abovementioned taxes. This bargaining process reveals the

⁴²⁶ María José Rodríguez-Salgado, 'Amor, menosprecio y motines: Felipe II y las ciudades de los Países Bajos antes de la revolución', in *Ciudades en conflicto: (siglos XVI-XVIII)* (Consejería de Cultura y Turismo, 2008), 190.

⁴²⁷ See, for example, when he referred to the unexpected results of a new fiscal policy in the provinces called 'novel expedients' of 1542-1544, in James D Tracy, *A Financial Revolution in the Habsburg Netherlands: Renten and Renteniers in the County of Holland, 1515-1565* (Berkeley: University of California Press, 1985), 90.

lack of unity among the provinces to organise themselves as a single voice and how high-ranking state-builders used this heterogeneity to their benefit.

The bargaining process and its difficulties:

The deputies who remained in Brussels offered one million livres to the monarch if he withdrew his new fiscal policy.⁴²⁸ Philip II's response to the deputies was a cunning one, though quite disadvantageous for those absent from the chamber: the lowest social strata. According to the Venetian ambassador, the king's answer was that he did not intend to abandon his petition. Instead, he reminded the representatives that those taxes would not be raised from the wealthiest patricians and lords of the provinces but from the poor.⁴²⁹ The good words expressed by Charles V during his abdication about the care he had shown for his subjects disintegrated in the real-world actions of his son. At this early stage of his reign, Philip II became king of his people, though '*people*' was a word with many nuances.

The negative royal response to the withdrawal of the taxes triggered new strategies among the provinces and their cities. For example, the four members from Flanders (Ghent, Ypres, Bruges and Franc of Bruges) wrote a letter to the sovereign on 31st March in which they asked Philip II to demand a sum of money instead of implementing the taxes.⁴³⁰ It was not until 25th April, when the provincial deputies returned to Brussels with permission to promise a contribution of 1.5 million livres if the taxes were not imposed, that Philip II responded to the petition of the most representative Flemish cities.⁴³¹ The monarch wrote to the four members of Flanders that if their representatives could not convince the remaining elites of Flanders to accept the two taxes, they ought to offer a sum of money instead.⁴³²

⁴²⁸ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 433', Letter, (22 March 1556).

⁴²⁹ '[...] and his Majesty has said that he does not purpose altering his proposal, as he knows that this sum of money would be taken from the poor, and that the rich would not pay in proportion to their wealth'. See *ibid.*

⁴³⁰ Gachard, *Lettre à MM. les questeurs de la Chambre des représentants*, 88; on the importance of the four members of Flanders for the province and the central governments see Wim Blockmans and Walter Prevenier, *The Promised Lands: the Low Countries Under Burgundian Rule, 1369-1530*, trans. Lizabeth Fackelmans and Edward Peters, 1999, 46.

⁴³¹ On the provincial counteroffer, see Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 464', Letter, (26 April 1556).

⁴³² Gachard, *Lettre à MM. les questeurs de la Chambre des représentants*, 88.

This royal counteroffer initiated a process of bargaining with the provinces intended to extract from them an extraordinary contribution instead of enacting the unpopular new taxes. The duke of Savoy oversaw the negotiations with the provincial deputies, which continued without any progress during the first weeks of May. The duke and the bishop of Arras, with whom he had enjoyed a fruitful friendship since the 1540s, and the State Council departed for Tournai on 9th May to ask for advice regarding the royal pecuniary demand to queen Mary of Hungary.⁴³³ The advocate of the fiscal strategy needed additional guidance to accomplish his goals from the woman who had preceded him in the government of the provinces. However, the queen rejected an offer of help from the duke of Savoy and his companions, which obliged them to return to Brussels empty-handed by 17th May.⁴³⁴

While the duke and his allies were pleading for Mary's help, the provincial deputies stated upon their return that they were not permitted to approve the new taxes that the monarch proposed. Nonetheless, they confirmed the offer of raising a million crowns by other means, as had been suggested weeks before.⁴³⁵ It was clear that the provincial and local elites of the Habsburg Low Countries preferred to make an extraordinary contribution rather than pass new permanent duties. This pattern was also found, as is detailed in the following sections, in the Papal States and France. It was not, therefore, a unique behaviour but a general strategy of negotiation with central administrations.

Savoy's problem was that the States General of 1556 was his first important negotiation after being appointed governor-general of the Habsburg Low Countries. His failure obliged Philip II to insist on the necessary collaboration with Mary. The monarch then sent the marquis of Berghes, Jean de Glymes, to secure her help again on 19th May.⁴³⁶ Mary refused to assist her nephew once more. Her reasons not to collaborate were more public this time. Apart from being forced to travel to Castile, Mary complained that she had not been granted the lordship of the city of Mechelen. Mary's

⁴³³ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 479', Letter, (5 October 1556).

⁴³⁴ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 481', Letter, (5 December 1556); Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 486', Letter, (17 May 1556).

⁴³⁵ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 480', Letter, (5 October 1556).

⁴³⁶ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 490', Letter, (21 May 1556).

reluctance, however, can also be due to her having been replaced as governess of the provinces. The fact that her replacement requested her help indicates how desperate the duke of Savoy was. Mary could not avoid embarrassing Philip II and Charles V with the first failure of their new appointee.⁴³⁷ The scandal reached such a point that even the Venetian ambassador Badoer realised that some royal ministers had advised Philip II not to withdraw the taxes, whereas it was evident that only Mary could make a deal with the provinces.⁴³⁸

The situation for the duke of Savoy was desperate. The insurgent provincial elites and their deputies found an impressive ally in their previous governess. In short, the old system was rebelling against the new one. Nevertheless, the assistance of Mary of Hungary was not the only strategy the duke of Savoy employed to subdue the provincial elites. As stressed in the sections on the Papal States and France in this chapter, high-ranking state-builders would follow certain steps to pursue their personal goals. When initial negotiations failed and there was resistance from local and regional elites to comply with the state-builder, coercion was imposed. However, it is possible to detect two levels of coercion in the case studies in this chapter: soft and hard coercion. The first usually implied individual negotiation with the members of the regional and local elites, whereas the second involved the use of violence to accomplish the goals of the state-builder.

Soft coercion at regional and local level:

Since the provincial representatives officially rejected the new fiscal policy when they returned to Brussels in late April, Philip II decided to change the terms of some of his demands. His reaction was an intrinsic part of the bargaining process included in a strategy of soft coercion at regional level. The duke of Savoy, author of the initial royal proposal, described the novelties in detail to the Venetian ambassador, Badoer.⁴³⁹ The sovereign, instead of insisting on enacting both taxes, restricted his demand to the approval of the 1% duty on real property only. This change was a cunning strategy because rather than an indirect tax of 2% on commercial and industrial goods, Philip II

⁴³⁷ Philip II sent for her a third time without any results, which indicates the strenght of her resistance. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 491', Letter, (23 May 1556).

⁴³⁸ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 486'.

⁴³⁹ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 480'.

opted for a direct duty. Since the Habsburg Low Countries were a highly industrialised and urbanised area of western Europe, it was more logical to charge commercial transactions than ones on real estate since the former could generate a larger yield. In Castile, for example, Philip II gained more resources from indirect taxes, such as the excise duty called *alcabala*, than from a direct imposition.⁴⁴⁰

The difference between the two different fiscal policies lay in the fact that Philip II did not need a new long-term income. The new royal proposal and similar strategies in the Papal States and France suggest that the Hispanic sovereign, or the duke of Savoy more specifically, chased a generous and pre-arranged contribution from the subjects. The choice of a direct tax was, therefore, a means to obtain a generous subsidy because the provincial elites would never accept a system of direct taxation that attacked their traditional privileges and exemptions. Besides dropping one of the two taxes, the royal counteroffer to the contribution of a million crowns also included a clause by which local priests and magistrates, but not royal officers, would inspect and evaluate the real property. This freedom to choose who would register properties was a generous concession because local elites could control these officers much better. In this sense, the direct tax was a double-edged sword for provincial elites. Whereas the duty attacked their privileges, their control of the registration process was tempting.

Apart from the concession of control of the inspection and evaluation of real property, the royal counteroffer also included some important points regarding the use of these funds. First, the money raised through the new fiscal policy would remain in the provinces to pay the royal debts that cities like Antwerp incurred to serve the emperor and now the king. Second, these funds would also pay those lords who lacked a salary during the war and had to mortgage their properties to finance their service to the monarch. Finally, the remaining money would be used to construct new fortresses and repair the existing ones. These three points plus control of the registration process implied that the provincial elites obtained guarantees regarding the management of the tax and the expenditure of its yields. In exchange for his good will, Philip II received a

⁴⁴⁰ A general overview of the ordinary and extraordinary incomes of Philip II during his reign in Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*.

proportional daily payment up to the sum of 200,000 crowns, which was considered part of the ordinary service for the royal house and court.

In short, the royal counteroffer seemed reasonable, although two points were questionable. The first problem was that the duty consisted of a direct tax that attacked the traditional exemptions of local and regional elites. The second issue refers to the use of the money collected to pay the urban debt. The debt for service was originally issued to pay for the military expenses of the endless Habsburg-Valois conflict, which had caused intermittent wars since the last decade of the fifteenth century. Bearing in mind this historical context and the high levels of municipal debt in the Habsburg Low Countries by the late 1550s, the resistance of the provincial elites is understandable. The approval of the tax meant that those elites agreed to contribute to the reimbursement of a debt that ultimately belonged to the monarch. In other words, elites would pay twice for a service they made to their sovereigns. However, the worst part lay just behind that *double contribution*. The tax was to be perpetual, which meant that the contribution of the privileged social strata would be permanent.

These problems could make the provincial elites even more subject to the sovereign, which explains why they demanded something equally valuable: the withdrawal of imperial troops and their replacement with native soldiers. The presence of foreign troops was devastating for some regions, especially when they were not paid on time. Many arrears sparked mutinies and soldiers lived on the province. Besides the effects of public disorder, these troops were also a reminder of who wielded the real coercive power: the duke of Savoy. In effect, the royal advisor who proposed the initial royal demand of two taxes was also in control of the troops safeguarding the provinces. The problem was not that Savoy could withdraw some forces and let the French sack some lands, but the possibility of employing these forces against the provinces, as happened during the rebellion of Ghent in 1539-1540.⁴⁴¹

The deputies claimed that the Flemish garrisons could reduce military expenses and be as equally effective as a watching force during the truce. Although their

⁴⁴¹ After the rebellion failed, Charles V imposed an overwhelming fine on the city to fund the construction of a citadel intended to remind the city the perils of rebelling. See Steven Gunn, David Grummitt, and Hans Cools, *War, State, and Society in England and the Netherlands 1477-1559* (Oxford University Press, 2007), 73.

reasoning was logical and initially acceptable, the duke of Savoy was opposed. According to what Savoy told the ambassador Badoer, the duke recommended that the monarch not accept this demand but instead force the provinces to regularly finance the presence of nearly 6500 Hispanic and German soldiers in case the truce was broken. The duke's argument was not the only one based on the fear of the resumption of war. Another high-ranking royal advisor, the count of Lalaing, returned from the French court convinced that the truce would soon be terminated.⁴⁴²

Nonetheless, it was also evident that the duke of Savoy did not want to lose his coercive tool against the provinces. In effect, the soldiers on the border were an additional bargaining tool during the negotiation with the provincial deputies. The distrust of the provinces was not unfounded, if we consider the negotiations for another subsidy once the war with France was over three years later. On that occasion, the deputies demanded the withdrawal of Hispanic troops in return for paying a subsidy to the monarch. After tough negotiations of two years, Philip II accepted the provincial demand.⁴⁴³

While the duke of Savoy negotiated at a regional level with the provincial deputies, the count of Lalaing had been sent to the provinces with the mission of inspecting the territory and negotiating with the members of the provincial elites individually. His manoeuvre exemplifies the mixture of soft coercion and individual negotiations at provincial and local level, a very common practice in the Papal States, as analysed in the following section. On 20th May 1556, Lalaing reported to the duke of Savoy on the alarming conditions in the Habsburg Low Countries, while pointing to some of the main grievances.⁴⁴⁴

Excessive debts in the provinces, the scarcity of available incomes to back new money loans, and high taxation were among the main complaints that Lalaing reported

⁴⁴² Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 480'.

⁴⁴³ Rodríguez-Salgado, 'Amor, menosprecio y motines', 195.

⁴⁴⁴ [... quel estat les pays de pardecha se trouvent pour le présent, et non seulement par les grandes debts, selon l'estat quie avant hier fust lut, mais aussi pour les excessives et insupportables cerpes en quoy lesdits pays sont de rentes vendues comme de maltostes impôts et samblables choes...], extracted from Armand Louant, 'Charles de Lalaing et les remontrances d'Emmanuel-Philibert de Savoie (juillet et novembre 1556). Documents pour servir à l'histoire du début du règne de Philippe II dans les anciens Pays-Bas', *Bulletin de la Commission royale d'Histoire* 97, no. 1 (1933): 265–67; also referred in Koenigsberger, *Monarchies, States Generals and Parliaments*, 173.

to Savoy. The count claimed that the inhabitants of the provinces were selling their properties to service their creditors, a trend that had increased with the war. This situation, argued Lalaing, had led to a point in which it was extremely difficult for the provinces to accept the new taxes that the monarch was demanding. If the king had to be served, Lalaing advised the duke of Savoy, then the monarch should be encouraged to seek funding from his mines, the gold coming from America, and larger contributions from his other subjects. Regarding this third point, Lalaing reminded the duke that the ongoing conflict affected the entire monarchy, and it was no longer an Italian war but a King's war (*guerre du roy*). Therefore, there should be no distinctions in the contributions of his subjects.

When hard coercion turned into a personal necessity and a public problem:

The duke of Savoy was in a risky situation. While he was failing in his attempt to close an agreement with the provinces for a higher contribution to fund the war, the provinces seemed to have scarce resources to service the royal demand. The negotiations were at a stalemate and the future of the duke of Savoy was uncertain. On 7th June a meeting was held between Philip II and his advisors regarding the possibility of sending the duke of Savoy as governor of the duchy of Milan to face the Papal and upcoming French attacks and reappointing Mary of Hungary as regent of the Habsburg Low Countries for three years.⁴⁴⁵ It was clear that the problem in the negotiation with the provinces was the duke of Savoy.

Regardless of the perils, the duke managed to get the provinces to send their contributions (*aides*) in exchange for not enacting the taxes. The first offer was accepted on 8th June from the four members of Flanders, for which negotiations had been ongoing since 31st March. After this donative, the nobility and cities of Hainaut followed (30th June), plus the city of Tournai (5th July), the province of Artois (5th July), the province composed of Lille, Douai, and the Orchies (5th July), the province of Tournaisis (9th July), the clergy of Hainaut (10th August), the province of Zeeland (10th November), the province of Utrecht (12th November), and the province of Holland (17th December).⁴⁴⁶ These negotiations tested the duke of Savoy's ability to handle difficult political

⁴⁴⁵ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 509', Letter, (6 August 1556).

⁴⁴⁶ Gachard, *Lettre à MM. les questeurs de la Chambre des représentants*, 88–90.

situations. His success was reflected in the promise of contributions valued at circa 1.5 million livres, from which Flanders was to supply more than half (see chart 1).⁴⁴⁷

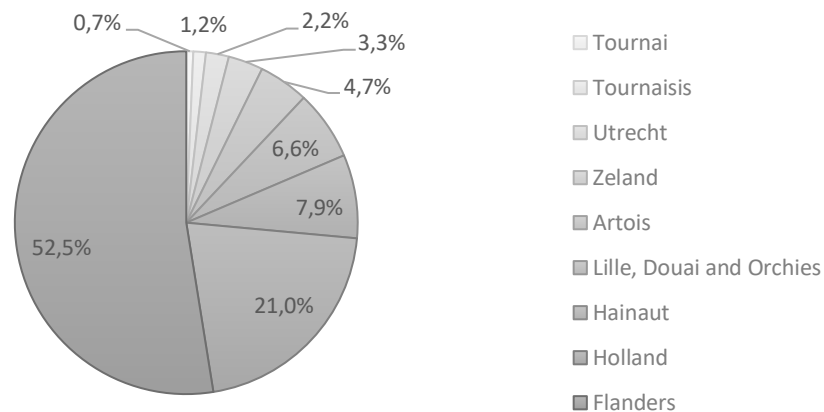


Chart 1. Contributions Philip II accepted from the provinces instead of enacting the taxes of 1% and 2% on movables and real property (June-November 1556). Source: Gachard, *Lettre à MM. les questeurs de la Chambre des représentants*, pp. 88-90.

Notwithstanding the progressive successful negotiations of the duke of Savoy with the provinces and their cities, which ensured his position in the Habsburg Low Countries, there was one region that did not want to contribute: Brabant. Since the royal court moved to Ghent to accompany Charles V before his departure in August, the provincial deputies were advised to travel to that city to discuss their subsidies further.⁴⁴⁸ The Brabant deputies refused to travel to Ghent because they found the celebration of a meeting of the States-General outside of Brussels, its traditional location, offensive. Their refusal obliged the duke of Savoy to return to Brussels in order to subdue the irreverent deputies on 29th August.⁴⁴⁹

The situation quickly worsened as the Brabant potentates demanded that they publicly check the royal accounts to see how much Philip II had spent in his defence of the provinces. They also wanted to reform the civil courts, obliging Savoy to withdraw as he was not mandated to negotiate such terms. The foreseeable resumption of hostilities with France made it unadvisable to confront the local principals of Brabant,

⁴⁴⁷ The contribution of Flanders was the first to be accepted on 8th June. The negotiations took until November 1556 with most of the remaining provinces. Brabant, however, resisted a contribution until August 1558, when it offered 660,000 livres. See *ibid*.

⁴⁴⁸ Only the contributions of Utrecht, Holland, Zeeland, and Brabant were missing. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 573', Letter, (8 September 1556).

⁴⁴⁹ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 601'.

which could have created a new conflict at home.⁴⁵⁰ The governor, warning of the possible use of hard coercive means, told the deputies that they should not force the monarch to return to Brussels to punish them for their insolence.

The Brabant deputies eventually went to Ghent by mid-September, though they refused to grant a contribution in exchange for the taxes.⁴⁵¹ Instead, they demanded the royal court and parliament move back to Brussels. The Flemish delegates, watching the negotiations of their colleagues, offered a monthly donative of 600 crowns to the duke of Savoy if the royal court remained in Ghent.⁴⁵² The conflict between the king and the States-General had turned into a dispute among the delegates to host the provincial meetings. If we bear in mind that the presence of the monarch and his entourage could benefit some, these people were surely the patricians of Ghent at the local level and the potentates of Flanders more generally.

In early October, the Brabant deputies returned to Brussels, promising to seek a conciliatory position from their homeland colleagues, although their response to the royal demand was foreseen as negative.⁴⁵³ The polycentric character of the Hispanic Monarchy thus resulted in greater self-management, with room for manoeuvre to resist a centralist agenda. Philip II then wrote to the duke of Savoy, letting him know that if the Brabant resistance continued, he would go first to Antwerp with a large guard and then to Brussels to punish the recalcitrant deputies.⁴⁵⁴ On 10th October, indeed, the Venetian ambassador reported that he believed Philip II had already sent some companies of soldiers to Brussels in disguise.⁴⁵⁵

Clearly the monarch, probably following ducal advice, had already decided to use force if he felt obliged to. Philip II pursued two goals in sending troops to Brussels. First, he wanted to secure the city and the royal government there if there was any upheaval as result of the failed negotiations with the Brabant deputies. Second, the presence of

⁴⁵⁰ Even Charles V, who was on his way out of the country, had to advise his son on how to deal with the Brabant delegates. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 610', Letter, (13 September 1556).

⁴⁵¹ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 623', Letter, (19 September 1556).

⁴⁵² Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 632', Letter, (26 September 1556).

⁴⁵³ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 643', Letter, (10 March 1556).

⁴⁵⁴ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 654', Letter, (10 September 1556).

⁴⁵⁵ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 656', Letter, (10 October 1556).

soldiers in the city, or at least the rumour of their existence, was a tool to coerce the reluctant delegates. In other words, the political polycentrism not only relied on mutual negotiation and collaboration among the multiple centres of power but on coercion too. A clear example of this connection can be seen a few days after the rumoured entrance of soldiers in Brussels. The duke of Savoy incarcerated three Brabant deputies because of their opposition to granting the subsidy.⁴⁵⁶ Further investigation revealed the specific accusations that were made against these members. This forced the remaining delegates to leave Brussels and return to their hometowns, looking for a reconciliation with the sovereign, a strategy that was repeated in the Papal States that year, as analysed in the following section.

The repression did not end with the imprisonment of these three deputies. Instead, the duke of Savoy embarked upon a strong royalist agenda of changes.⁴⁵⁷ First, he and the State Council agreed to appoint two leading members of each estate favourable to the king's demands to let them decide whether to grant the subsidy or not. Second, the duke suggested the creation of three bishoprics in Brabant, arguing that religious order was almost out of control.⁴⁵⁸ Although there was a religious problem in the provinces, it was far from the levels of two decades later and it seems that the true goal of the duke was to divide Brabant society even further. The addition of three new bishops to the Brabant assembly would tip the decision on the subsidy in favour of Philip II, perhaps not by 1556 but most probably in the long term.

The duke's repressive methods did not achieve the anticipated results as the delegates were still reluctant to concede the subsidy by the end of October.⁴⁵⁹ Philip II's presence seemed essential for obtaining money from Brabant, so he had to delay his departure for England. However, the monarch did not travel to Brussels immediately but in mid-November. The Venetian ambassador commented that the reason for this could have been to give the duke more time to resolve the issue with the delegates.⁴⁶⁰ Indeed, the reluctance of the deputies to obey the duke could mutate into disobedience

⁴⁵⁶ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 664', Letter, (14 October 1556).

⁴⁵⁷ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 667', Letter, (18 October 1556).

⁴⁵⁸ Koenigsberger detected a similar proposal for the States-General of 1557, also referring to the religious problem. See Koenigsberger, *Monarchies, States Generals and Parliaments*, 188.

⁴⁵⁹ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 680', Letter, (24 October 1556).

⁴⁶⁰ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 693', Letter, (11 April 1556).

to the king if he turned up there, potentially encouraging other provinces to follow the Brabant example. The heated aims of some high-ranking officers such as the Prince of Orange, who suggested hanging those deputies who did not collaborate and erecting a fortress in Brussels, support this conclusion.⁴⁶¹

Finally, Philip went to Brussels on 9th November to oversee some of the cities swearing their loyalty to the duke of Savoy as governor-general of the provinces.⁴⁶² This resolution was, apart from a necessary act of protocol, a way to regain control of the situation without conceding the satisfaction of a victory to the deputies. Notwithstanding the royal presence, the conflict remained unresolved, which induced the deputies to put forward new demands, such as the immediate abolition of three taxes on wine, beer and bread.⁴⁶³ The negotiations calmed down in the following days and members of the State Council called for a symbolic reconciliation with the deputies, whereby they would pay two tenths of the subsidy originally proposed.⁴⁶⁴

Notwithstanding the preliminary agreement, the resistance to the abovementioned taxes continued and the citizens of Brabant proclaimed that they would not pay unless these taxes were abolished.⁴⁶⁵ Before the situation spiralled out of control, the duke of Savoy and the State Council wrote to Philip II explaining the general situation in the Habsburg Low Countries by December.⁴⁶⁶ Meanwhile military and financial expenses accrued because the subsidies initially agreed in the meeting of the States-General in April 1556 had not been disbursed yet, as the high levels of poverty and municipal indebtedness prevented the provinces from contributing beyond their abilities.⁴⁶⁷ The duke of Savoy realised that it was possible that his strategy to achieve his personal goals by coercing the provinces to fund the resumption of the war was probably unfeasible.

⁴⁶¹ It must be remembered that Orange accompanied Savoy when they for Queen Mary to help with the duke's fiscal project. See *ibid.*

⁴⁶² Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 696', Letter, (11 August 1556).

⁴⁶³ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 703', Letter, (18 November 1556).

⁴⁶⁴ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 721', Letter, (22 November 1556).

⁴⁶⁵ Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 741', Letter, (29 November 1556).

⁴⁶⁶ Gachard, 'III. Analectes historiques, 4e série', 124–32.

⁴⁶⁷ The royal councillors insisted on the necessity of considering the Hispanic Monarchy as a single patrimony with a single border: 'aussy Vostre Majesté n'aura en moindre affection les pays de par deçà, son ancien patrimoine, qui, au respect d'Espagne, se doit bien compter pour frontière', see *ibid.*, 128.

Remarks to the case study:

The aim of this section was to analyse the coercive means that high-ranking early modern state-builders employed in the Hispanic Monarchy to accomplish their personal goals. The duke of Savoy and his bargaining strategy represent an extraordinary example of how private agendas overlapped with public politics through the agency of the highest authority. Although the duke did not recover his duchy until the peace treaty of Cateau-Cambresis in April 1559, three years after the events explored in this section, the States-General of 1556 provide an excellent example of how the mechanics of coercion and resistance worked.

The case study of Emmanuel Philibert reveals that negotiation was a means of coercion from the beginning. Savoy already knew when he drafted the project that the provinces would reject it. Once the project was presented, a strategy of soft coercion based on negotiation with regional and local elites followed. When this option failed, as in the case of Brabant, it was necessary to enforce his goals by means of hard coercion, such as the threat and use of violence against social elites. This case shows that hard coercion was not always an effective way of dealing with resistance. However, it was also a warning to other polities before they refused collaboration. The following section examines this same strategy in the Papal States, to demonstrate that its outcomes were similar to those in the Habsburg Low Countries.

3.2. Cardinal Carlo Carafa: a high-ranking state-builder in early modern Rome

A long-term family affront and its fiscal solution:

The case study of Cardinal Carlo Carafa and his strategies for pursuing his private agenda from his position as a high-ranking state-builder can only be understood if it is framed within the conflict between his uncle Gian Pietro Carafa and Emperor Charles V. This tension had its origins in the early 1500s, when the grandparents of Charles V expelled the French armies from the kingdom of Naples.⁴⁶⁸ The Carafa family, which had been a traditional supporter of the French cause, began to suffer from a lack of sympathy among the members of the new government.⁴⁶⁹

The subsequent conflict between the Habsburg and Carafa dynasties increased in the following decades. For example, when a revolt in Hispanic Naples broke out in 1547, Gian Pietro urged Pope Paul III to launch a military intervention in the neighbouring kingdom.⁴⁷⁰ The anti-Hispanic actions of Gian Pietro, already cardinal from 1536, resulted in him being prohibited from visiting his see when he was appointed archbishop of Naples in 1549.⁴⁷¹ Finally, Gian Pietro Carafa as Pope Paul IV in May 1555 turned a dynastic dispute into an institutional conflict between the Holy See and the Hispanic Monarchy.

Cardinal Carlo Carafa, nephew of Gian Pietro, also suffered from Charles V's policy towards his family even before being nominated cardinal. For example, Pope Paul III appointed him knight of the Order of Saint John along with the priory of Naples in the 1530s. Charles V, however, prevented the teenager from taking effective possession of the institution.⁴⁷² Although Carlo Carafa joined the imperial army of Charles V as a mercenary, he remained averse to the plans of the Hispanic Monarchy. Therefore, when his uncle became Pope Paul IV, Carlo Carafa was appointed cardinal (7 June 1555). From

⁴⁶⁸ Although there were dynastic claims, the Catholic Monarchs stressed the military intervention was made to defend the Church. See Barbara Fuchs and Emily Weissbourd, eds., *Representing Imperial Rivalry in the Early Modern Mediterranean* (University of Toronto Press, 2015), 107–9.

⁴⁶⁹ Alberto Aubert, 'Carafa, Gian Piero', in *Dizionario Biografico Degli Italiani*, 2014, http://www.treccani.it/enciclopedia/papa-paolo-iv_%28Dizionario-Biografico%29/.

⁴⁷⁰ William S. Maltby, *The Reign of Charles V* (Houndmills, Basingstoke, Hampshire ; New York: Palgrave, 2002), 91.

⁴⁷¹ The archbishopric became a traditional Carafa property, since a member of the family always administered it from 1484, except for the period 1544–1549. See Miles Pattenden, *Pius IV and the Fall of The Carafa: Nepotism and Papal Authority in Counter-Reformation Rome* (OUP Oxford, 2013), 10.

⁴⁷² Adriano Prosperi, 'Carafa, Carlo', in *Dizionario Biografico Degli Italiani*, 1976, http://www.treccani.it/enciclopedia/carlo-carafa_%28Dizionario-Biografico%29/.

that moment onwards, cardinal Carafa and Paul IV pursued a diplomatic initiative intended to achieve the military intervention of France in Italy to recover the family's influence in the kingdom of Naples.

This diplomatic strategy resulted in a treaty with France drafted on 13th October and finally signed on 15th December 1555, which secured the French military protection of the Papal States and the Carafa family besides war-related clauses.⁴⁷³ In exchange for this military assistance, Paul IV promised to invest one of the sons of Henry II of France as king of Naples, while another son would become duke of Milan. Since the position of the Carafa family in Naples had been largely neglected for half a century because of its traditional support for French interests, the need for the personal intervention of the Carafa to restore French rule in southern Italy is not surprising. In this sense, the truce of Vaucelles (February 1556) between France and the Hispanic Monarchy was a serious setback for the agenda of the Carafa. Without the support of the French army to the south of the Papal States, Paul IV would be defenceless before the duke of Alba and his army.

In the spring of 1557, the Pope began mustering troops from Italy and the Swiss cantons to counteract this military threat. However, these soldiers demanded funds that the holy father did not have in his treasury at that moment. The need to enlarge the papal incomes, most probably to keep borrowing, became an urgent issue. As these troops were marching to Rome, Pope Paul IV was already drafting three bulls in early May quickly to solve his pecuniary problems.⁴⁷⁴ Whereas the first papal edict deprived Philip II of some of the resources of the Church, the second text summoned the cardinals to meet immediately. The third bull revealed the goal of that extraordinary meeting, since it was the draft of a new tax at 1% on the value of real estate. Bernardo Navagero, the Venetian ambassador to Rome, was able to report on these three documents because a '*leading cardinal*' told him about them.

The diplomat did not identify his source, but he may have been either the dean (Jean du Bellay), the vice-dean (Rodolfo Pio da Carpi) or the cardinals' chamberlain (Pedro Pacheco y Guevara). These three men had a leading role in the College of

⁴⁷³ Setton, *The Papacy and the Levant, 1204-1571*, vol. 4, pp. 640–642.

⁴⁷⁴ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 879', Letter, (5 August 1557).

Cardinals and were well aware of Paul IV's pecuniary needs to fund his Swiss mercenaries in the upcoming campaign.⁴⁷⁵ Since Carpi and Pacheco had not agreed to the new tax some weeks later, it is likely that the French dean cardinal Jean du Bellay or the cardinal Carlo Carafa put the idea in the pope's mind. Just as the duke of Savoy was interested in collecting pecuniary contributions rather than enacting new taxes in the Habsburg Low Countries to continue the war against France and recover his duchy, cardinal Bellay fought against losing the favour of Paul IV and Carafa was interested in benefitting from the war.⁴⁷⁶

On the specific case of cardinal Bellay, he was one of the richest clerics in France during the reign of Francis I, although he had been displaced from Henry II's inner circle because of the manoeuvres of cardinal Lorraine.⁴⁷⁷ This enmity resulted from the struggle among court factions, specifically the Guise-Lorraine (e.g. the duke of Guise and cardinal Lorraine) and Montmorency (e.g. the constable of France) houses. In other words, cardinal Bellay and the duke of Savoy pursued service to their masters (Paul IV and Philip II respectively) in order to preserve their favour and achieve their personal goals.

Once again, high-ranking individuals channelled their personal agendas through the authority of political leaders with the excuse of helping them. These people enforced their private interests by supporting their patrons, which made of them participants in the process of state building. The fiscal reforms they proposed and promoted were simply a tool these individuals employed to strengthen the power of their sovereigns, but this does not mean that this was the only strategy. The term '*service*' had many meanings and forms in the early modern era. Fiscal novelties were just one, while each service depended on the subject. The duke of Savoy, for example, also participated

⁴⁷⁵ After speaking with the French ambassador to Rome, Navagero concluded that "with these lords what is true today is untrue tomorrow; there is a great scarcity of money, and to obtain it they have recourse to chimerical projects, and I perceive that they do not tell the Pope the true state of affairs" (translation from Italian), see Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 880', Letter, (5 August 1557).

⁴⁷⁶ Cardinal Bellay already noticed this danger to his future in April of that year. See Loris Petris, 'La Familia de Jean Du Bellay à Rome', in *Le Cardinal Jean Du Bellay : Diplomatie et Culture Dans l'Europe de La Renaissance*, ed. Cédric Michon, Renaissance (Tours: Presses universitaires François-Rabelais, 2018), 183–91.

⁴⁷⁷ Cédric Michon, 'Le Cardinal Jean Du Bellay et Ses Bénéfices En France Sous François Ier et Henri II', in *Le Cardinal Jean Du Bellay : Diplomatie et Culture Dans l'Europe de La Renaissance*, ed. Loris Petris, Renaissance (Tours: Presses universitaires François-Rabelais, 2018), 67–88.

personally in the battle of Saint Quentin (August 1557). In this sense, the duke performed his services from the office and the battlefield, whereas cardinals Bellay and Carafa supported Paul IV's war from the College of Cardinals.

The consistory of 18th May 1557: a house divided

The analysis of the implementation of the new tax in the Papal States reveals the resistance to this new fiscal policy among high-ranking officers and local elites, which reflects similar reactions to that sort of fiscal strategy at the States-General in the Habsburg Low Countries examined in the previous section.⁴⁷⁸ According to the correspondence of the Venetian ambassador Navagero, the session in which Paul IV presented the bull about the tax for advice to the College of Cardinals on 18th May 1557 was a difficult one.⁴⁷⁹ Before addressing the point of the new tax, Paul IV complained about how Philip II and his ministers had pushed him into a war in which the imperial party had proposed unbearable peace terms. The pope thus identified the enemy to blame for the new imposition and argued for the necessity of this new duty to sustain the army. Besides providing a scapegoat, Paul IV also stressed that the new tax was to be collected from those who had the means to pay. Poor people would be exempt, unlike other traditional duties such as the *masena* (grinding tax). Paul IV made the same arguments that Philip II had employed before the States General: protection from the evil enemy demanded new contributions, which should come from the wealthier part of society.

A careful examination of the new tax on real estate that Paul IV proposed to the College of Cardinals reveals that it was progressive. Properties valued at more than 500 crowns were charged 1% of its value; those rated between 500 and 100 crowns paid 0.5%, and properties valued from 100 to 20 crowns were exempt. Since this was a controversial proposal because it burdened especially the wealthiest properties in the Papal States, which could lead to the resistance of local elites everywhere, Paul IV allowed the cardinals to speak freely. His permission was intended to reveal who

⁴⁷⁸ Although Setton worked thoroughly with the correspondence of Navagero, the Venetian ambassador in Rome, it is surprising not to find a lengthier analysis of the resistance of cardinals and councils, which is indeed apparent in Navagero's letters. See Setton, *The Papacy and the Levant, 1204-1571*, vol. 4, chap. 16.

⁴⁷⁹ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 893', Letter, (19 May 1557).

opposed the new duty, even though the pope had previously ordered cardinal Vitelli to convince his colleagues to approve the fiscal novelty.⁴⁸⁰ Since the Roman chamber was divided about the tax, it seems Vitelli's role was to test the aims of the cardinals rather than convince them.

There were differences of opinion about the proposal, the differing sides being headed by the dean Jean du Bellay and vice-dean Rodolfo Pio of the College of Cardinals. Whereas Bellay clapped and supported Paul IV's words on the need for the new tax, Pio's speech was much less indulgent. Although he first agreed with the urgent need to condemn the calumnies Paul IV complained about, the cardinal stressed two problems that could arise from the imposition of the tax.

First, Pio referred to the already heavy fiscal burden on the Papal States through extraordinary duties, which had made many subjects demand their exemption.⁴⁸¹ Cardinal Pio warned that if the new tax was approved, these people might change sides and join the enemy. Since the war against the Hispanic Monarchy mostly depended on the support of French forces rather than native troops, his point was extremely important. Rebels or local elites on the Hispanic side could put an end to the war with the worst conditions possible. Second, Pio complained that the duty would be arbitrary because there was no time to make the necessary estimates.⁴⁸² In this sense, it is possible to trace the similarities with the proposal of the duke of Savoy before the States General of the Habsburg Low Countries, which required the use of regional records to calculate the respective contributions.⁴⁸³

It was evident that Pio opposed Paul IV's proposal, but the discussion between the pope and the vice-dean cardinal turned into an unexpected argument. The Venetian

⁴⁸⁰ Vitellozo Vitelli had been cardinal deacon since 15th March 1557, just three months before the meeting analysed here Salvador Miranda, 'Vitelli, Vitellozo', in *The Cardinals of the Holy Roman Church. Biographical Dictionary* (Florida International University, 2018), <http://cardinals.fiu.edu/bios1557.htm#Vitelli>.

⁴⁸¹ Indeed, the war of Paul IV against the Hispanic Monarchy made him enact unpopular taxes on basic goods, confiscate properties, and regulate traditions. It is not surprising that the same day Paul IV died, Roman citizens rioted in the city attacking anyone linked to the Inquisition, Paul IV's clients, and some jails. See more details in John M. Hunt, *The Vacant See in Early Modern Rome: A Social History of the Papal Interregnum*, Studies in Medieval and Reformation Traditions, Volume 200 (Leiden Boston: Brill, 2016), 184.

⁴⁸² Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 893'.

⁴⁸³ Verhofstad S.J., 'De Regering Der Nederlanden in de Jaren 1555-1559', 84.

ambassador Navagero reported that the tone of this conflict began to show the anger of Paul IV until the dean cardinal Bellay tugged at Pio's robe to make him sit down.⁴⁸⁴ However, Pio did not withdraw until he had made his opposition to the new tax clear. Once he had returned to his seat, another cardinal expressed his disagreement with the proposal: cardinal Giacomo Puteo. The information about this cardinal is scarce, but it is noteworthy that his access to the cardinalate preceded the election of Paul IV, which indicates that Puteo was not necessarily a client of the pope but possibly an imperialist.⁴⁸⁵ His speech supports this point, since he proposed limiting the tax collection to 500,000 crowns or slightly more. His alternative suggestion was that the duty should not be made permanent, which resembles the counteroffer the States-General proposed to Philip II in the Habsburg Low Countries. In both assemblies, therefore, there were those who preferred an extraordinary contribution rather than a permanent tax.

While Rodolfo Pio and Giacomo Puteo irritated Paul IV with their resistance, the other cardinals preferred to be less belligerent. Although some of them did not wish to approve the tax, they did not oppose its implementation once they saw that the main complaints had been made clear. Apart from recalcitrant cardinals, Paul IV and Jean du Bellay received the support of other members of the chamber. Cardinals Fano and Mignanelli, for example, agreed that the tax was *fair* and *tolerable*, which implied that it was morally and legally right to impose it.⁴⁸⁶

Nevertheless, the speech of Girolamo Dandino is more revealing as regards the potential resistance to this tax from local elites, a central aspect of this chapter. Dandino was cardinal of Imola, a member of the French party in the College of Cardinals and supporter of Paul IV since his election.⁴⁸⁷ The cardinal stated that during his trip to Rome, as he passed through the Romagna region, he discovered that people already knew

⁴⁸⁴ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 893'.

⁴⁸⁵ Puteo was the imperialist alternative during the conclave that elected Paul IV. See Pattenden, *Pius IV and the Fall of The Carafa*, 11; Salvador Miranda, 'Puteo, Giacomo', in *The Cardinals of the Holy Roman Church. Biographical Dictionary* (Florida International University, 2018), <http://cardinals.fiu.edu/bios1551-ii.htm#Puteo>; M. Gigliola di Renzo Villata, 'Dal Pozzo, Giacomo', in *Dizionario Biografico Degli Italiani*, 1986, [http://www.treccani.it/enciclopedia/giacomo-dal-pozzo_\(Dizionario-Biografico\)](http://www.treccani.it/enciclopedia/giacomo-dal-pozzo_(Dizionario-Biografico)).

⁴⁸⁶ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 893'.

⁴⁸⁷ Anna Foa, 'Dandini, Girolamo', in *Dizionario Biografico Degli Italiani*, 1986, http://www.treccani.it/enciclopedia/girolamo-dandini_%28Dizionario-Biografico%29/.

about the tax and would contribute happily.⁴⁸⁸ This comment reveals that the local elites were already aware of the fiscal novelty even before it had been drafted for approval at the College of Cardinals. The fierce resistance of Bologna, the main city of the region, to the tax once it had been enacted is all the more surprising then.⁴⁸⁹

A matter of international relevance: the 1% tax on real estate and its final details

Although the chamber was divided, the tax on real estate was passed and the final bull was sent to the cardinals the following day for their signatures. The Venetian ambassador Navagero reported on cardinal Rodolfo Pio's intransigency against signing the bull.⁴⁹⁰ The diplomat's secretary was present when the papal secretary, Antonio Fiordibello, brought the document to Pio. Like the cardinal chamberlain Pacheco, cardinal Pio refused to subscribe to that bull and asked Fiordibello to remind Paul IV of the reasons he had given him on the previous day at the meeting and to cardinal Vitelli on 17th May, when he had tested the aims of the cardinals before the meeting.

Rodolfo Pio asked Fiordibello to report to Paul IV that the pope could strip him of his patrimony and honours if he so wished because of his refusal, but that his decision was inspired by his devotion to the Holy See and the pope. This way in which Pio expressed his disagreement characterises the loyalty to his master. His service to Paul IV might not necessarily match the pope's agenda, and sometimes these types of high-ranking state-builders had to deny their collaboration notwithstanding their allegiance. This loyalty despite disagreements is important because the sources provide contradictory information from that presented at the College of Cardinals. Navagero stressed this point when he first reported about the tax to the Venetian senate. For example, while cardinal Dandino had spoken about the desire of the people in Romagna to adhere to the tax, Navagero expressed the contrary conclusion.

According to the diplomat, there were serious concerns about the fiscal novelty in Romagna, the March of Ancona, Campagna and even in Rome.⁴⁹¹ However, it was not only the evident resistance to the tax that became clear in the following weeks, but also

⁴⁸⁸ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 893'.

⁴⁸⁹ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 932', Letter, (6 December 1557); Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 978', Letter, (31 July 1557).

⁴⁹⁰ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 893'.

⁴⁹¹ Ibid.

the methods for collecting the tax and the estimated amount it would raise. After consulting the local statistics in Rome, Navagero reported that the tax was of doubtful efficacy because as a long-term means of obtaining resources it was unpopular among the local elites. Apart from that, it was estimated that it would collect two million crowns.⁴⁹²

This estimate was based on the information Navagero received from cardinal Pio through his assistant, which nonetheless was imprecise. Indeed, the ambassador pointed out that Pio had told his secretary on 19th May that properties valued under 100 crowns were exempt. However, when Navagero read the bull himself he discovered no mention of this exemption. Instead, those owners had to pay 0.5% of the property's value.⁴⁹³ This information was reported on 29th May, ten days after the meeting of his secretary with cardinal Pio. Since the cardinal had no reason to lie to Navagero's assistant, this clause in the bull must have changed in the interim. In other words, the bull about the 1% tax was modified before the cardinals were to sign it. In this sense, the tax remained progressive, but it had enlarged the range of taxpayers affected substantially.

The bull for the 1% tax was so important and the origin of so much resistance among the cardinals that the Venetian ambassador decided to send a copy of the bull to the Venetian senate.⁴⁹⁴ Indeed, the money raised with the new duty was intended to maintain the Papal army, especially the Swiss mercenaries coming to stop the advance of the duke of Alva. It was, therefore, an affair of state the results of which were important for the international community. Apart from the Venetian senate, other actors were following what Paul IV dictated in order to continue the war.

France was observant and watched its Italian ally against the Hispanic Monarchy closely, especially during the summer campaign that the duke of Guise led in Italy. The Venetian ambassador at the French court quickly reported that Henry II had received news from marshal Pierre Strozzi, who was deployed in Italy, about the tax. The French monarch told ambassador Soranzo that Strozzi estimated the 1% tax to yield 800,000

⁴⁹² Ibid.

⁴⁹³ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 907', Letter, (29 May 1557).

⁴⁹⁴ Ibid.

crowns in the short term.⁴⁹⁵ We must bear in mind that this information was what Henry II told Soranzo, and not necessarily what Strozzi reported to the French sovereign. However, the estimate is less than half what Navagero and his statisticians had initially estimated in mid-May. The resistance of the local elites was behind this impressive change after two months from the initial estimate.

Cardinal Carafa's strategy of negotiation and coercion at the local level: the cases of Rome and Bologna

On 28th May, Roman representatives met Paul IV to complain about the 1% real estate tax and propose a grinding tax instead, which could be collected faster than the fiscal novelty.⁴⁹⁶ This offer was an important change since the duty of 1% taxed property whereas the grinding tax charged consumers. Notwithstanding this appealing alternative, Paul IV simply offered elusive words to the Roman representatives, and nothing was agreed. The pope knew there was no time for more discussion. Three days after the meeting between the Roman potentates and Paul IV, Navagero reported that mercenary troops were expected to disembark in Gaeta or Terracina from Naples and join Marc'Antonio Colonna, commander of the Hispanic forces, in Priverno to apparently attack Paliano and then Rome. The advance of the Hispanic army so close to Rome worried the local elites of the city, especially since the pope had already appointed the commissioners in charge of collecting the 1% real estate tax.⁴⁹⁷

In the meantime, while part of the French and Hispanic forces fought each other near the estuary of the Tronto river, on the border between the March of Ancona and Abruzzo, Marc'Antonio Colonna harassed the Roman countryside.⁴⁹⁸ Although Colonna failed in his attempts to take towns such as Vicovaro (east of Rome), he was ravaging the surroundings and creating a shortage of supplies. The city, reported Navagero, had not received fresh supplies for many days and the Swiss mercenaries were still on their way by 11th June.⁴⁹⁹ This context of scarcity and warfare explains why another

⁴⁹⁵ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 960', Letter, (7 August 1557).

⁴⁹⁶ They proposed a payment of 2 scudi and 5 giulii per rubbio (2,94 hectolitres). On the currencies and weights see Hunt, *The Vacant See in Early Modern Rome*, XI; on the proposal see Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 907'.

⁴⁹⁷ More details about the route of the Hispanic army and the concerns of Roman elites in Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 910', Letter, (31 May 1557).

⁴⁹⁸ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 921', Letter, (6 May 1557).

⁴⁹⁹ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 930', Letter, (6 November 1557).

counteroffer from the Roman representatives in an effort to avoid the 1% real estate tax did not succeed. The new proposal consisted of making a single contribution of 100,000 crowns instead of paying the new tax.⁵⁰⁰ Once again, there were similarities between the strategies of local elites in the Papal States and the Habsburg Low Countries.⁵⁰¹ In this sense, western European local and regional elites shared a preference for extraordinary payments rather than accepting permanent taxes, especially if these duties were charged directly.

Just as Philip II refused the offer of the deputies in the States-General of 1556, Paul IV also rejected the desperate attempt of the Roman patricians during their meeting on 11th June. When ambassador Navagero asked cardinal Carlo Carafa about this negotiation, the clergyman simply answered that the reason for the refusal was because nobody would eat meat.⁵⁰² In effect, the Roman council had agreed to raise the money by imposing a *quattrino* per pound of meat until its yield generated 100,000 crowns.⁵⁰³ Since the *quattrino* was the least valued currency in the Papal States at that time, it was not much for the wealthy elites.⁵⁰⁴ However, the poorer social strata would certainly experience the negative effects of this tax much more than their richer fellow citizens, especially when the supplies were scarce, the fields dangerous, and prices increased to compensate the lack of provisions. Apart from who paid the contribution, it is important to note that this was the second time the Roman elites tried to turn the new direct tax of 1% into an indirect duty on consumption. If accepted, this offer could have been a quicker way of raising money, while the distribution of the burden could have been much easier to accept among local elites.

Although Paul IV rejected the single contribution, cardinal Giovanni Battista Consiglieri told Navagero that the issue could still be arranged. Paul IV had appointed Consiglieri cardinal on 15th March 1557, barely three months before the second proposal

⁵⁰⁰ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 932'.

⁵⁰¹ When the two taxes on real estate (1%) and moveable property (2%) were proposed to the States General in March 1556, some deputies hastened to offer one million crowns to avoid the taxes. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, 433'.

⁵⁰² Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 932'.

⁵⁰³ Ibid.

⁵⁰⁴ On currencies see once again Hunt, *The Vacant See in Early Modern Rome*, XI.

by the Roman council.⁵⁰⁵ Unfortunately, it is not clear why this cardinal in particular supported the project for an indirect tax instead of backing the decision of his patron. Most probably, the situation resembles even more the negotiation between Philip II and the States General in the Habsburg Low Countries. The Hispanic sovereign finally accepted a generous donative in exchange for not enacting the taxes. As is explained in depth below, Paul IV was employing the same strategy of Philip II: negotiating until a certain sum was agreed.

In the speech Paul IV gave on 18th May in the consistory of the College of Cardinals about the enactment of the new tax, he said that the goal was to fund the army during the war against the Hispanic Monarchy. Since French forces were trying to invade the Kingdom of Naples from the Tronto estuary, steady money was much more necessary than long-term incomes unless the pope intended to emulate Philip II by earmarking these regular incomes to new loans. However, the military threat at the gates of Rome may have meant that Papal debt bonds were discounted, thus losing capacity to attract prospective bondholders and their savings.⁵⁰⁶ In this sense, the pope's feigned rejection of the extraordinary contribution was part of a long-term process of financial centralisation that had removed Rome's autonomy by the end of the sixteenth century.⁵⁰⁷

If the Roman council was uneasy with the new tax, then other cities and regions of the Papal States felt the same. According to cardinal Carlo Carafa, the provinces of Romagna and the March of Ancona were in despair at the new 1% duty.⁵⁰⁸ Their reaction to the pope's fiscal policy contrasts with what cardinal Gieronimo Dandino had stated during the consistory of 18th May, when the tax was first openly proposed to the College of Cardinals.⁵⁰⁹ Dandino, cardinal of Imola, attended the consistory having travelled

⁵⁰⁵ Salvador Miranda, 'Consiglieri, Giovanni Battista', in *The Cardinals of the Holy Roman Church. Biographical Dictionary* (Florida International University, 2018), <http://cardinals.fiu.edu/bios1557.htm#Consiglieri>.

⁵⁰⁶ A discount in finances means that a debt bond is being sold under its par price or face value. When debt issuers are unable to service the yields of these bonds, their price in the market is lower than its normal value.

⁵⁰⁷ Fausto Piola Caselli, 'The Formation of Fiscal States in Italy', in *The Rise of Fiscal States*, ed. Bartolome Yun-Casalilla, Patrick O'Brien, and Comin, Francisco Comin (Cambridge: Cambridge University Press, 2012), 286.

⁵⁰⁸ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 932'.

⁵⁰⁹ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 893'.

through the Romagna, where he supposedly had found great enthusiasm for the 1% tax. Less than a month afterwards, it seemed as though that cheerful spirit had vanished, if it ever existed. Navagero asked cardinal Carafa if he would go there to pacify the region, but the clergyman just gave an evasive answer. The war was thus sapping the spirits towards the tax, especially when it had reached its most dangerous point due to Marc'Antonio Colonna's harassment while French forces were trying simply to secure their positions rather than fighting the Hispanic forces.⁵¹⁰

Nonetheless, it was not in Romagna or the March of Ancona where the resistance was fiercest. It was in mid-June 1557 when the main cities showed their resistance and resilience. The Roman council did not give up its goal of making a single contribution instead of a permanent tax. After Paul IV rejected the 100,000 crowns, negotiations continued and finally a new sum was agreed. Cardinal Consiglieri was right when he referred to a possible future agreement with the Roman potentates. The deal raised the sum to 130,000 crowns, though church properties were exempted from contributing according to the decision of the Roman council.⁵¹¹ The strategies of Paul IV and Philip II with their respective regional and local elites were, therefore, identical. Just as had happened in the Habsburg Low Countries, collecting the money in Rome was complicated.

The Roman countryside was devastated, and the Roman councillors complained to cardinal Carlo Carafa that they could not service the payment in the short term.⁵¹² The clergyman then accused the potentates of this being their fault because they did not accept the deal earlier. The *quattrino* per pound of meat was not being collected as quickly as expected. Therefore, the Roman council used a similar strategy to that employed in the Habsburg Low Countries: the issuance of municipal debt. In this case, the councillors chose to take the money from the *Monte del quattrino*, a fund that Rome

⁵¹⁰ In early June, cardinal Carafa told Navagero that the French demanded the port cities of Civitavecchia and Ancona to use them as headquarters. These two cities were strategic ports at both sides of the Italian peninsula, especially because the Ottoman fleet could dock in them and disembark troops after Suleiman had allied with Henry II of France. The request was rejected, and this worsened relations between Paris and Rome considerably. See Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 919', Letter, (6 April 1557).

⁵¹¹ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 941', Letter, (19 June 1557).

⁵¹² Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 962', Letter, (7 October 1557).

used to help the popes in their wars.⁵¹³ The mechanism of leverage was simple: people invested their savings in this municipality-backed fund to receive a long-term return plus interest. These earnings came from the local tax of a *quattrino* per pound of meat. While investors received the interest from their financial operation, the local council could use the money raised in whichever way it wanted, such as making a contribution to the pope.

The system was similar to that of the Castilian *juros* at a local level, but it was even more similar to the local *renten* of the Habsburg Low Countries. The only difference between the three investments was the institution which backed the debt. The investments in *quattrini* and *renten* were earmarked to local incomes, whereas Castilian *juros* were backed by the incomes of the kingdom. In other words, it was a matter of which institution issued and supported the debt title. However, the three examples shared a weakness: the trust of investors. If savers did not trust the fund, they would not put their money in the box. Roman councillors complained of this problem when they said that it was impossible to raise any money because everything was wasted. It was at that moment that another way of recovering investors' trust came into play: soft coercion.

Cardinal Carafa's auditor accompanied some of the Roman patricians on their visits to the houses of the wealthier local strata, including prelates, to convince them to invest in the *Monte del quattrino*.⁵¹⁴ It would certainly be very revealing if future research sheds some light on the individual stories of these '*forced investors*' so as to compare them with those in the Habsburg Low Countries and Castile, thus creating a comparative study between those investors in the municipality and those outside of the city.⁵¹⁵ However, the soft coercion seems to have failed because the 130,000 crowns had not been disbursed by the end of July.⁵¹⁶

⁵¹³ Another example of local debt earmarked to this fund occurred in the 1570s to help in the war against the Ottoman Empire. See Carmen Genovese and Daniela Sinisi, *Pro Ornatu et Publica Utilitate: L'attività Della Congregazione Cardinalizia Super Viis, Pontibus et Fontibus Nella Roma Di Fine '500* (Gangemi Editore spa, 2016), 51–52.

⁵¹⁴ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 962'.

⁵¹⁵ The results of this thesis suggest that those who invested beyond their city had an intermediary. In the period studied, contextualised by war and financial reforms, the intermediary was a Genoese broker in the Hispanic Monarchy. For more details, see chapters 6 and 7.

⁵¹⁶ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 976', Letter, (28 July 1557).

Cardinal Carafa's anger towards the city was reasonable because the marquis of Montebello, Antonio Carafa, had been routed by Marc'Antonio Colonna after a failed operation to liberate Paliano on 27th July.⁵¹⁷ Colonna was now free to besiege Rome with his army. The war was almost over, but it was still necessary to have a strong position during the peace negotiations. Therefore, cardinal Carafa threatened the Roman council when he warned that if the city did not disburse the 130,000 crowns immediately, Bartolomeo Camerario would ensure the 1% tax was charged. This reaction showed a higher level of coercion against the potentates of Rome. Camerario was the general treasurer for the Papal army, prefect, and administrator of the annual finances of the Papal States.⁵¹⁸ In other words, when cardinal Carafa mentioned the name Camerario, the clergyman was in effect threatening the Roman council with a forceable collection of the tax. In this sense, cardinal Carafa wanted those potentates who were reluctant to invest in the *Monte del quattrino* to realise that it was time for forced loans.

This level of strong coercion that cardinal Carafa inflicted upon the Roman council had, nonetheless, another purpose. When he suggested the possibility of imposing the tax by force, the message was not only for Rome: it was a warning for every city in the Papal States. The case of Bologna is paradigmatic in explaining why Carafa's strategy worked. Apart from Rome, Bologna was the other large city in the Papal States that opposed the imposition of the 1% tax. Already in June, a few weeks after the cardinals signed and approved the new duty, the local authorities in Bologna attempted to circumvent the tax and warned that the city could not bear the fiscal burden.⁵¹⁹ The council sent two ambassadors to Rome, representing the nobles and commoners respectively. Both diplomats recalled the previous contributions that the city had made to the Papal cause, which theoretically left the city without anything else to give. Nevertheless, although their instructions were to exempt the city from the new duty,

⁵¹⁷ For more details about the campaign of Marc'Antonio Colonna, see Franca Petrucci, 'Colonna, Marcantonio', in *Dizionario Biografico Degli Italiani*, 1982, http://www.treccani.it/enciclopedia/marcantonio-colonna_%28Dizionario-Biografico%29/.

⁵¹⁸ Camerario first served the Hispanic Monarchy, then France, and finally Paul IV. For further details of his life, see Valerio Marchetti, 'Camerario, Bartolomeo', in *Dizionario Biografico Degli Italiani*, 1974, [http://www.treccani.it/enciclopedia/bartolomeo-camerario_\(Dizionario-Biografico\)](http://www.treccani.it/enciclopedia/bartolomeo-camerario_(Dizionario-Biografico)); Gaetano Sabatini, 'Apogeo e caduta di Bartolomeo Camerario nella Napoli di Carlo V (1536-1543)', in *L'Italia di Carlo V Guerra, religione e politica nel primo Cinquecento: atti del convegno internazionale di studi*, 2003, 597–614.

⁵¹⁹ Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 932'.

the representatives hastened to offer a payment of 70,000 crowns instead of the 1% tax when cardinal Caraffa threatened the Roman council on 28th July.⁵²⁰ Their reaction reflects the independence that officials employed in their duties, a common characteristic also with the Hispanic *Factoría General*.

Remarks to the case study:

In sum, the case study of the Papal States demonstrates the convergence of fiscal means, strategies, and solutions with those of Philip II and the duke of Savoy in the Habsburg Low Countries. Regional and local elites resisted as best they could the imposition of a new permanent tax that especially burdened the wealthiest social strata. These patricians employed similar bargaining tactics, though they finally capitulated and offered a contribution. It is revealing that social elites from such distant places used the same methods to service the single payment. In effect, the reliance on provincial and municipal debt was a common resource to raise funds.

However, when the trust in the institutions that supported that debt was low, superregional authorities such as the Papacy or the royal administration had to intervene coercively. The first attempt involved negotiating with local elites. If this option failed, an armed response could be relied upon to force the granting of loans. In the cases of both the Habsburg Low Countries and the Papal States we can observe that when the second option applied, cities were unable to resist alone. Therefore, there was a process to weaken the urban capabilities of resistance alongside the fiscal reforms that gave form to the early modern state. In other words, the new state was less dependent on the cities and relied more on interpersonal relations with select individuals to enforce the agenda of the central state.

In the Hispanic case, the duke of Savoy forced the provinces to provide a donative if they did not want the tax. In the case of the Papal States, cardinal Carafa finally enforced the payment by Rome and Bologna. These two high-ranking state builders had, of course, their own agendas and means with which to realise them through the agency of higher authorities. Savoy used his position to enforce violence if necessary, whereas Carafa simply threatened with the army when the situation was bleak. In short, the early

⁵²⁰ This time even the clergy would contribute. More details in Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 941'.

modern state took form thanks to the collaboration of individuals, high-ranking ones in the central administration in this case, whose ambitions motivated them to convince or force others to participate in a greater project.

3.3. Cardinal of Lorraine: a state-builder at the court of Henry II of France

The necessary context of international conflict:

Before analysing the specific case study of the cardinal of Lorraine, it is necessary to bear in mind the historical context in order to understand his behaviour and strategies. As cardinal Carafa was negotiating with the local elites of the Papal States a generous contribution in exchange for not enacting the new 1% tax in June 1557, the French court was monitoring his progress. The Venetian ambassador Giacomo Soranzo reported from the royal court in Compiègne in late June 1557 that Pope Paul IV was mustering fresh troops and had enacted a new duty on capital, which was expected to yield a large sum of money.⁵²¹ The French court and Soranzo kept close attention to what happened in the Papal States, especially regarding the papal capabilities to fund the war.⁵²² It could not be otherwise. England had joined the war against France on 7th June, which obliged Henry II of France to redistribute his expenses even more to protect the realm from the combined Anglo-Hispanic attacks.⁵²³ Meanwhile the duke of Vendôme, Antoine of Navarre, reinforced the border with the Habsburg Low Countries in Picardie and the French monarch sent troops and emissaries to Scotland with the aim of convincing regional nobles to fight against England. Henry II sought to open a front on the isle to prevent any English invasion on French soil.⁵²⁴

The position of France was worrying because the three fronts open in Picardie, Scotland and the Papal States were very expensive to maintain. The reports of an anonymous informant, a servant of Eleanor of Austria in France, describe what was happening in the kingdom when the former queen was already back in Castile.⁵²⁵ Henry

⁵²¹ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 942', Letter, (25 June 1557).

⁵²² The agreement of 15th December 1555 between Paul IV and Henry II stipulated the creation of a common fund to finance the war, whereby France deposited 350,000 scuds and the Papal States 150.000. The enforcement of both contributions, however, was a common problem between the two sovereigns. See Setton, *The Papacy and the Levant, 1204-1571*, chap. 4, p. 642.

⁵²³ A transcription of the declaration of war in 'CSP, Spain, Vol. 13, 306', Letter, (6 July 1557).

⁵²⁴ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 936', Letter, (6 December 1557); Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 940', Letter, (18 June 1557).

⁵²⁵ Eleanor was the Queen Dowager of France since the death of Francis I. She returned to Castile in 1556 with her siblings Charles V and Mary. See Robert J. Knecht, 'Austria, Leonor De', in *Diccionario Biográfico*

II was raising a huge army to defend the borders of the realm, especially the northern front with the Habsburg Low Countries. More than half of that army, which was estimated to have 25,000 soldiers, were mercenaries from the Holy Roman Empire and the Swiss cantons. Henry II also summoned the garrisons of some municipalities, which shows the magnitude of the military operation. Notwithstanding the size of this army, its initial aim was to defend the border rather than attack the Habsburg Low Countries.

Eleanor's servant also gave details about the means Henry II employed to fund the war. Tax officers were making an exhaustive collection, leaving nobody aside, while royal representatives, whose names have not been revealed in the sources, arranged multiple loans with private financiers in France.⁵²⁶ Besides the deployment of the royal administration, Pope Paul IV conceded to Henry II the collection of all church incomes for a year. For this contribution, the French sovereign sold the position of treasurer for its collection, which yielded 18,000 crowns to the monarch. Indeed, the sale of offices was another source of income for Henry II, who created additional positions in order to raise more money.⁵²⁷ The monarch even sold royal domain such as forests, an interesting alternative for more in-depth future investigation, since Philip II and Paul IV were also advised to sell part of their dominions.⁵²⁸ This option was the least accepted among the three sovereigns, but the fear of a Hispanic invasion from the Habsburg Low Countries convinced Henry II to proceed with it.

Español (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/15751/leonor-de-austria>; the reports were merged into a single catalogue entry after the bundle of documents was returned by France in 1940. They therefore, they contain multiple items of diachronic news with the same archive code. See 'CSP, Spain, Vol. 13, 317: "Reports from France by a Servant of the Queen Dowager of France"', Letter, (7 May 1557).

⁵²⁶ Regarding the loans, Henry II could borrow 500,000 crowns with 16% interest in two phases (200,000 and 300,000 crowns respectively) from German lenders who invested in the Grand Parti of Lyons, a city-backed fund. See Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 965', Letter, (15 July 1557); Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 979', Letter, (8 April 1557); a more detailed work on the Grand Parti and the specificities of its success and failure in Orlandi, *Le grand parti*.

⁵²⁷ Even high-ranking positions such as councillor and president in the law councils were sold. In this regard, Henry II obtained 500,000 francs (a currency that in the last quarter of the century equalled the French livre). See Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 965'; on French currencies see Stuart Carroll, *Martyrs and Murderers: The Guise Family and the Making of Europe* (Oxford: Oxford University Press, 2009), XI.

⁵²⁸ For example, the treasurer of the Papal army Bartolomeo Camerario recommended to Paul IV that he could sell a city to the Republic of Venice since money was scarce. Paul IV rejected the offer because the 1% tax on capital was still being negotiated with Rome. See Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 964', Letter, (7 October 1557).

There was also concern about what had happened in Italy. News of an important defeat of the French forces by the duke of Alva in Italy simply encouraged the French information system to keep a closer eye on the Papal finances, to prevent the pope from withdrawing from the war. The Venetian ambassador Giacomo Soranzo reported on 8th July on how much the 1% tax that Paul IV wanted to impose on the Papal States could yield.⁵²⁹ Henry II had directly related this detail to the diplomat passing on the information that Piero Strozzi, cousin of queen Catherine de'Medici and military commander, brought from Italy, along with an estimated 800,000 crowns. This news contrasts with the estimate that Bernardo Navagero, the Venetian ambassador in Rome, sent to Venice. While Strozzi supposedly told Henry II that the tax could raise 800,000 crowns, Navagero's statisticians estimated the collection of two million crowns. The difference was, therefore, noticeable. It is not clear from the documents, however, whether the currency used in both estimates was the same since each state had its own.

French defeat in Saint Quentin: a victory for the cardinal of Lorraine and his family

Notwithstanding the progress that Henry II and Paul IV were making to raise money in France and Italy respectively, everything crumbled with the French defeat in Saint Quentin on 10th August 1557.⁵³⁰ With the French royal entourage and remaining forces in full retreat, panic is the only word to describe the situation. The Cardinal of Lorraine replaced Anne de Montmorency, who had been captured during the battle, as minister of foreign and domestic affairs, while his brother, the duke of Guise, was recalled to France from Italy with full military powers. The cardinal and his family, the Guise, were then in control of the main positions in the kingdom.⁵³¹

When the news about the military defeat arrived in Paris, Henry II had to decree that no wealthy man should depart from the city with his personal belongings.⁵³² This interesting order reveals that Henry II wanted to keep close control over the rich people of Paris in case he needed to impose another forced loan. In effect, Henry II had already

⁵²⁹ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 960'.

⁵³⁰ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 985', Letter, (8 November 1557).

⁵³¹ R. J. Knecht, *Catherine de'Medici* (Routledge, 1998), 48.

⁵³² After a number of days, exceptions were made. Women and children could leave the city accompanied by men who had to return before eight days. Otherwise, their belongings would be confiscated. See Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 994', Letter, (18 August 1557); Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 989', Letter, (13 August 1557).

used this mechanism to raise funds in February that year.⁵³³ The monarch had demanded a loan from all the merchants and wealthy people of the realm. Their loans were to be adjusted to each individual's wealth, with their investments ranging from between four and twenty crowns. Forced loans charged to wealthy subjects according to their wealth had become a normalised way of funding some states.⁵³⁴

Although coercion was a recurrent tool for raising funds, sovereigns usually preferred to negotiate. A meeting with the council of Paris that month brought this to the forefront. On 13th August, the Queen of France, Maria de' Medici, accompanied by some cardinals and princes attended an extraordinary session of the local assembly.⁵³⁵ The queen, an ally of the cardinal of Lorraine, delivered an important and touching speech to the councillors with the aim of obtaining further help in the ongoing conflict.⁵³⁶ The queen first addressed the issue of the excessive expenses which Henry II had incurred in the past. However, she specified that the monarch had always taken special care of the cities of the realm. In other words, she meant the main cities of the kingdom and specifically Paris.

The queen continued her speech arguing that nothing had ever been demanded from the cities besides the acknowledgment of the royal superiority and modest contributions. Because of this privileged position, the queen reminded the ministers that French subjects were already heavily burdened with direct and indirect taxes that the crown had enacted, including new ones. Therefore, it was not the right time for the royal authority to increase the fiscal burden of those taxpayers even more. In effect, a generous contribution from Paris was expected. In this sense, the bargaining procedures in the Hispanic Habsburg Low Countries and the Papal States differed from those in France in the approach to the lack of funding. Instead of proposing a direct and permanent tax on the wealthiest social strata, to then negotiate a single contribution,

⁵³³ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 818', Letter, (18 February 1557).

⁵³⁴ Leaving aside the example of the Papal States, reviewed in the previous section, there were other cases such as England, Castile, and the Duchy of Florence. See Rodríguez-Salgado, *The Changing Face of Empire*, 185, 230–31; Yun-Casalilla and O'Brien, *The Rise of Fiscal States*, 274.

⁵³⁵ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 993', Letter, (14 August 1557).

⁵³⁶ Although I have found no evidence regarding the presence of the cardinal of Lorraine at the meeting, the queen supported the cardinal and his family in the conflict against the Habsburg dynasty. However, it is not entirely certain from the sources consulted that the queen was a puppet of the cardinal of Lorraine, but may have been a powerful ally with similar interests instead. See Kathleen Anne Wellman, *Queens and Mistresses of Renaissance France* (New Haven: Yale University Press, 2013), 207.

the French royal administration skipped the first step and directly negotiated the donative.

The queen demanded a subsidy of 300,000 francs from the city of Paris to pay for 25,000 soldiers over two months on behalf of her husband. After announcing her request, she left the chamber to let the ministers deliberate freely. Their decision was almost immediate as they promised the payment and to provide the king with their best means at their disposal.⁵³⁷ The city of Paris rapidly raised the money through the investments made by a hundred bourgeois, who offered an instant payment of 3000 francs each.⁵³⁸ This way of funding the contribution to speed up its collection was identical to the mechanism of financial leverage established in Rome through the *Monte del quattrino*, examined in the previous section.

Just like Philip II and Paul IV, Henry II could use the subsidy either to pay for the mustering of troops or to arrange new financial deals, and thus keep borrowing. The parliamentary season closed with Queen Maria thanking the ministers for their collaboration to defend the kingdom and the promise to send the dauphin Francis to convince the monarch of the need to preserve the privileges of Paris. In other words, the local elites of Paris and the main cities in the provinces of the Habsburg Low Countries and the Papal States pursued the preservation of their privileges and exemptions with their contributions.

The Venetian ambassador ended his letter about the Paris subsidy by concluding that these 300,000 francs would yield 1.5 million of gold *écu* (*escudos*) to the monarch, which meant that the remaining cities of the kingdom would contribute accordingly at the upcoming Estates-General of January 1558. In other words, the participation of Paris represented a fifth of the general subsidy that Henry II expected from the realm. The payment of these regional subsidies should proceed as happened in Paris, through the financial aid of the wealthier social strata in every place. Every element of this financial strategy was necessary since the defeat of Saint Quintin was not just a military setback.

⁵³⁷ David Potter, *War and Government in the French Provinces* (Cambridge University Press, 2003), 188.

⁵³⁸ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 993'.

Henry II needed another army and many of his allies had been captured during the battle, which also meant that ransoms had to be paid for them.⁵³⁹

Notwithstanding the negotiated contribution in Paris and the evident lack of funds, Henry II managed to arrange a new loan from the merchants of Lyons.⁵⁴⁰ On this occasion, the money exchange was 600,000 crowns, of which 100,000 had no interest applied. The remaining 500,000 crowns were promised at a 16% interest rate. The Venetian ambassador was surprised at the 'liberality' of these financiers as not even the German lending community was ready for a similar deal. Not charging interest on a sixth of the principal was quite unusual according to the sources, even for *native* lenders. Perhaps this behaviour can partially be explained based on the threat that Lyons faced at that moment. In effect, the lending city of France *par excellence* was suspected of being the target of a Hispanic contingent formed in the Franche-Comté.⁵⁴¹

Although the 300,000 francs that Paris promised were quickly being collected, each inhabitant giving between 30 and 120 francs according to their economic status, Henry II still sought more sources of revenue.⁵⁴² The French monarch enforced a new tithe on the Church, which made five collections in total per year.⁵⁴³ Notwithstanding these proofs of royal strength to drain resources from his subjects, August was not Henry II's month. On 27th August the city of Saint Quintin fell after the Hispanic assault on its fortress. Just as in Rome when Marc'Antonio Colonna defeated the marquis of Montebello earlier that month, Paris was exposed to the enemy forces and terror filled the streets.

⁵³⁹ To give an example about the prices of these operations, three high noblemen (Jacques d'Albon, the Rhinegrave, and the Duke of Mantua's brother) were assigned to Don Ferrante Gonzaga at 40,000 crowns. After this, Gonzaga could sell their freedom at whatever price but never less than that sum. See Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 997', Letter, (22 August 1557).

⁵⁴⁰ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 995', Letter, (21 August 1557).

⁵⁴¹ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 994'; Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1009', Letter, (9 January 1557).

⁵⁴² Those unable to pay the fee in Paris were exempted, although many paid more money than they should have. See Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1001', Letter, (27 August 1557).

⁵⁴³ The contribution of the French church is surprising compared to that of Castile. For example, an inventory of anything of value in the French churches was being prepared to convert that treasure into coin if necessary. The lack of reluctance at participating on the part of the French dioceses may be because of papal support for Henry II, although this is still an open question. See 'CSP, Spain, Vol. 13, 317'.

The monarch moved the holy relics to Orléans, to where many citizens of Paris were fleeing. Indeed, the entire court was expected to move there too in case the Hispanic army continued its advance southwards. During this outbreak of fear in the city of Paris, however, there was no protest against the sovereign but only in opposition to the Guise family. Placards appeared in every corner of the city blaming Francis and Charles de Lorraine, duke of Guise and cardinal of Lorraine respectively. They were Henry II's main advisors at that time and the target of protests because of the mismanagement and damage caused by the ongoing war.⁵⁴⁴ Both brothers, however, benefited from the French defeat since the duke was re-called to lead the French army as lieutenant-general, while the cardinal replaced the constable of France as prime minister for domestic and foreign affairs.

The Guise: a family of high-ranking state builders

The accusations against the Guise family because of the disastrous course of the war were not unfounded. The origins of the enmity towards them dated back to 23rd May 1555, when the constable of France, Anne de Montmorency, and the cardinal of Lorraine met imperial representatives to discuss a peace treaty between Henry II and Charles V.⁵⁴⁵ While Montmorency represented the court faction that supported the cessation of hostilities, Lorraine expected them to continue. The following month Gaspar de Coligny, admiral of France and nephew of constable Montmorency, was appointed governor of Picardie. This honour paid to Coligny posed a risk to the interests of Lorraine and his family, the Guise. However, Gian Piero Carafa had been elected Pope Paul IV in May that year, making him a valuable ally for the Guise. Carafa's anti-Habsburg policy drew the attention of the cardinal of Lorraine and his family, who considered helping him to continue the war and thus enlarge their influence at the royal court.

In October 1555, the cardinal of Lorraine was dispatched to form a league with the Pope in which France supported the Papal States in their aim of expelling the Hispanic Monarchy from the Kingdom of Naples.⁵⁴⁶ The treaty was secret and peace negotiations between Henry II and Philip II continued, concluding with a five-year truce in February 1556. However, Philip II's preventive attack on the Papal States in September

⁵⁴⁴ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1005', Letter, (30 August 1557).

⁵⁴⁵ Carroll, *Martyrs and Murderers*, 75.

⁵⁴⁶ See more details about this treaty in the second section of this chapter.

that year was the perfect excuse for the cardinal of Lorraine to insist that war be resumed.⁵⁴⁷ In effect, the Guise family had perfectly positioned its influential agents to convince Henry II to send an army to Italy. In the face of opposition from constable Montmorency and his party, the Guise and the Queen of France Catherine de'Medici voted for war.⁵⁴⁸

When Henry II decided to send an army to help Paul IV on 23rd September 1556, the duke of Guise was appointed to command it together with his father-in-law, the duke of Ferrara. In other words, the French intervention in Italy was an *affaire de famille* that involved every member.⁵⁴⁹ The prospective outcomes of the enterprise, which started with the arrival of French troops in February 1557, were too tempting. If the Hispanic Monarchy were expelled from Italy, the duke of Guise would become viceroy of Naples. The cardinal of Lorraine, on the other hand, expected to become the next pope when Paul IV died, which required the withdrawal of Hispanic influence in Italy.⁵⁵⁰ It was clear that the Guise and their allies had to keep the war alive to pursue their personal agendas. Therefore, the armed branch of the family fought in Italy while the cardinal of Lorraine remained at court, monitoring the manoeuvres of constable Montmorency against the war. In this sense, their strategy, and especially that of the cardinal of Lorraine, recalls the case studies of the duke of Savoy in the Hispanic Monarchy and cardinal Carafa in the Papal States. All three pursued their personal and family agendas by channelling their influence through their sovereigns. Since we have already examined the cases of Savoy and Carafa, it is time to identify which strategies they had in common with the cardinal of Lorraine.

Although England declared war on France in June, the Guise family was ready to weaken the English and Hispanic positions by creating a diversion in Scotland. Mary of Guise, sister of the duke of Guise and the cardinal of Lorraine, had been Queen-Regent

⁵⁴⁷ A brief summary of the war in Carroll, *Martyrs and Murderers*, 76–78.

⁵⁴⁸ The Guise party also included the duchess of Valentinois, Diane de Poitiers, who was an extremely influential mistress at the French courts of Francis I and Henry II. Her importance at court allowed her to marry her younger daughter Louise to the duke of Aumale Claude of Lorraine, the brother of cardinal Charles de Lorraine. See 'CSP, Spain, Vol. 13, 317'; Wellman, *Queens and Mistresses of Renaissance France*, 207.

⁵⁴⁹ This expression best defines the historical development from our perspective about state-building agents. I borrow the term from Carroll, *Martyrs and Murderers*, 77.

⁵⁵⁰ 'CSP, Spain, Vol. 13, 317'.

of Scotland since 1554. With the help of her brothers, who were in a position of influence over Henry II, she organised the invasion of England in September 1557.⁵⁵¹ This military action could not have been better timed to preserve the honour and influence of the Guise family at the French court, especially since the loss of Saint Quintin and the peace between Paul IV and Philip II.⁵⁵² The peace agreement between Rome and Brussels underlines how fruitless the fiscal strategy of the Pope to fund an army able to take on the Hispanic troops was. The Papal withdrawal from the war had weakened the agenda of the Guise. Once the family realised that Naples was lost, their main goal was to keep pressing for a continuation of the conflict to preserve their influence.

The duke of Guise, who had quickly left to help Henry II after the disaster of Saint Quentin, fell sick in Marseille before departing for Lyons.⁵⁵³ This city was the financial heart of France and a cornerstone in the Guise agenda to keep fuelling the war against the Hispanic Monarchy.⁵⁵⁴ However, German troops coming from the Franche-Comté plagued the region.⁵⁵⁵ It was unclear whether the goal of those troops was to take the city or simply loot as much as they could to then join the forces of Philip II along the northern border. Henry II thought the German mercenaries would attack Metz, the diocese of the cardinal of Lorraine, with the aim of weakening him.⁵⁵⁶ What was clear, however, was the importance of Lyons for the Guise strategy. The duke of Aumale, another brother of the cardinal of Lorraine, was dispatched to defend the city

⁵⁵¹ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1026', Letter, (9 July 1557).

⁵⁵² The peace was signed on 12th September in Cave, just three days before the Tiber river flooded the city of Rome. See Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1032', Letter, (9 December 1557); Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1036', Letter, (15 September 1557).

⁵⁵³ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1046', Letter, (26 September 1557).

⁵⁵⁴ The Venetian diplomat Giovanni Michiel reported in November from Lyons that the ministers of Henry II had suspended the payment of interest on due to royal financiers. The sum owed amounted to 16% on the capital and was estimated at 200,000 gold crowns. After negotiating with the affected lending houses, an arrangement was made. Further details on the operation in Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1078', Letter, (11 August 1557).

⁵⁵⁵ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1035', Letter, (14 September 1557); Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1040', Letter, (21 September 1557).

⁵⁵⁶ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1040'.

personally.⁵⁵⁷ Guise fears of an ongoing Hispanic plot to take Lyons were justified. It was not until the end of November, once the plot failed, that it became publicly known.⁵⁵⁸

Apart from the services of the Guise in Lyons, the French troops stationed in Compiègne almost mutinied because their wages were four months in arrears in November. Since the loss of Saint Quintin, Compiègne had become the headquarters of the French army in the North and where most of the troops were being brought together. Only the intervention of the cardinal of Lorraine saved the place from the anger of the troops when he hastened to Paris to collect new funds. The Guise arranged a money loan with the wealthiest people of Paris, amounting to 120,000 crowns. The cardinal, personally demonstrating the sacrifices of serving, contributed 10,000 crowns while every patrician lent at least 4000 crowns.⁵⁵⁹ Therefore, there was a maximum of 28 patricians contributing to this financial effort, reflecting how these sorts of operations did not need large groups of people and that smaller groups worked better. In other words, this form of service reveals the reach and quality of social networks among high-ranking state-builders like the cardinal.

After the crisis in Compiègne, the influence of the Guise was again high at the royal court. The duke of Guise and the cardinal of Lorraine advised Henry II not to proceed with a risky attack on the Hispanic side of the border yet.⁵⁶⁰ The monarch followed their recommendation while the duke of Guise fortified some parts of the border.⁵⁶¹ Henry II, nonetheless, decided to launch an attack on Calais, which was the last English settlement on French soil, with the strong support of the Guise brothers. This military action accorded with their interests, especially since constable Montmorency, their indefatigable enemy, had been captured in Saint Quentin by Hispanic troops.⁵⁶² As long as the war continued and Montmorency remained captive,

⁵⁵⁷ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1065', Letter, (18 October 1557).

⁵⁵⁸ Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1093', Letter, (28 November 1557); Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1083', Letter, (14 November 1557).

⁵⁵⁹ Whether these lenders used the money of third parties has not emerged from the sources consulted, although it would be interesting to know if this was the case because they were not depicted as lenders but patricians. On the service of the cardinal see Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1087', Letter, (21 November 1557).

⁵⁶⁰ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1094', Letter, (29 November 1557).

⁵⁶¹ Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1095', Letter, (12 February 1557).

⁵⁶² Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1108', Letter, (15 December 1557).

the Guise influence over Henry II could grow freely without resistance. While the duke of Guise prepared the campaign against Calais, the cardinal of Lorraine sought funds and clothes to send to his brother's army.⁵⁶³ It was, in short, another *affaire de famille* comparable to that of the duke of Savoy and cardinal Carafa.

The cardinal of Lorraine at the French Estates General of 1558: the epitome of negotiation

While Philip II accepted the conditions that the provinces imposed on him and waited for a positive response from the provincial parliaments in December 1557, different socio-economic circumstances allowed Henry II to make a more beneficial agreement when the Estates General of France met in Paris.⁵⁶⁴ On 1st January 1558, the French monarch travelled to Paris in order to obtain a generous subsidy with which to finance his ongoing winter campaign to take Calais.⁵⁶⁵ While Paris had already offered 300,000 livres, it was expected that the other main cities of the realm would contribute two million livres at least. However, the size of the contributions is not the core subject in this chapter, but the agency of key high-ranking actors such as the cardinal of Lorraine in the process of state-building.

While by the end of the first week of January his brother, the duke of Guise, was leading the army assault on Calais, the cardinal of Lorraine welcomed the deputies of the realm to Paris and arranged the first meetings. The meeting at which Henry II addressed his pecuniary petition to the three estates had been prepared beforehand by the cardinal to facilitate a quick and positive response.⁵⁶⁶ He met with the representatives of the clergy on 2nd January, while the nobility and the cities had their moment on 3rd January.⁵⁶⁷ The cardinal's power as royal representative was comparable only to that of his brother the duke in the military field. The cardinal had indeed become the master of the royal court since the capture of Montmorency. He decided when and how to introduce visitors, something that the new Venetian ambassador Giovanni

⁵⁶³ David Potter, 'The Duc de Guise and the Fall of Calais, 1557-1558', *The English Historical Review* 98, no. 388 (1983): 497.

⁵⁶⁴ More details about the resolution of the States General in the Habsburg Low Countries in Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1114', Letter, (23 December 1557).

⁵⁶⁵ Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1121', Letter, (1 January 1558).

⁵⁶⁶ This was exactly the same strategy followed by cardinal Vitelli, as already examined in the previous section. See Bernardo Navagero to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 893'.

⁵⁶⁷ Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1124', Letter, (1 April 1558).

Michiel stressed shortly after his arrival. Realising the scale of the power embodied by the Guise family, the diplomat urged the Senate to address the two brothers in their missives to the king henceforth.⁵⁶⁸

The star of the two brothers was at its highest point. While Calais was taken, the meeting that the cardinal had with the clerical representatives began to produce outcomes. The cardinal promised to keep delivering the four tenths on behalf of the French clergy, which was estimated at 1,200,000 francs, and also promised to double that sum to help the monarch.⁵⁶⁹ The nobility and urban representatives, however, had not yet given their answer to the royal petition. Using a similar strategy to that of cardinal Carafa in Rome, the cardinal of Lorraine employed soft coercion with the third estate, inviting their deputies to his house, where he asked them to contribute three million crowns.⁵⁷⁰ The strategy of the royal minister was to encourage the deputies of the cities to create a list of the three thousand wealthiest people in the cities of the kingdom, only those who could offer a thousand crowns at least.

The urban deputies were reluctant to comply with this suggestion, most probably because it meant naming those people who preferred to remain incognito when the monarch demanded extraordinary pecuniary subsidies or forced loans. They decided instead to provide a loan and distribute the burden of the three million crowns among the cities, raising the sum from urban-backed investment funds that promised an interest rate of 8.3% through local taxes.⁵⁷¹ In this sense, the strategy of Rome, Paris and the provinces of the Habsburg Low Countries regarding the use of municipal debt to service royal pecuniary demands was identical. The meeting closed with a solemn mass at the chapel of the royal palace on 10th January, after which the sovereign departed for Calais to take possession of his new territorial acquisition. The strategy of the cardinal of Lorraine was successful, both in servicing his master Henry II and in accomplishing his family goals. The recommendation made by the Venetian ambassador Michiel to the Senate specifically to congratulate the cardinal of Lorraine and the duke of Guise,

⁵⁶⁸ Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1137', Letter, (1 November 1558).

⁵⁶⁹ Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1138', Letter, (1 December 1558); Jean Charles Léonard Simonde de Sismondi, *Histoire des français. XVIII. 1556-1568*, vol. 18 (Paris, 1821), 69.

⁵⁷⁰ Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1138'.

⁵⁷¹ Potter, 'The Duc de Guise and the Fall of Calais, 1557-1558', 500.

especially since the administration of France '*non sia più per uscire da loro*' (will not escape from them), was therefore not surprising.⁵⁷²

The French victory in Calais brought honours to the Guise family and its allies. The duke of Aumale and the marquis of Elbeuf, both brothers of the cardinal of Lorraine, were appointed to more prestigious positions. Aumale, for example, became the new military governor of Piedmont.⁵⁷³ Piero Strozzi, the military commander who took the city and was client of the cardinal of Lorraine, obtained several privileges.⁵⁷⁴ It was a great success, though no victory is everlasting. The overwhelming influence of the Guise on Henry II's decisions found its challengers among their traditional foes, the Montmorency. The house of Lorraine interceded on behalf of Anne de Montmorency to reach an agreement with the Guise to rescue the constable and hold preliminary peace negotiations.⁵⁷⁵ In other words, the Montmorency-Lorraine were regrouping to reclaim their influence at the royal court.

Meanwhile, the peace negotiations followed their uncertain course and the Guise dynasty had accomplished one of the main goals on its long-term agenda: linking itself to royal families. Mary of Guise, sister of the cardinal of Lorraine, had married by proxy James V Stuart, king of Scotland, in 1538.⁵⁷⁶ When the monarch died a few days after the birth of his daughter Mary Stuart in December 1542, Mary of Guise retained the dynastic rights of her daughter as regent. France's support for the queen regent in the following years was based on the influence of the house of Guise with Henry II, especially the services of the cardinal of Lorraine and his brother the duke of Guise. The improvement in their positions after the French defeat in Saint Quentin and the victory

⁵⁷² Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1137'.

⁵⁷³ Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1164', Letter, (2 December 1558).

⁵⁷⁴ Strozzi joined the Privy Council and received land concessions. He was especially promoted by Queen Catherine, a great supporter of the Guise cause. See Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1159', Letter, (2 April 1558); on patronage relations between the cardinal of Lorraine and Piero Strozzi see Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1216', Letter, (25 April 1558).

⁵⁷⁵ Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1195', Letter, (14 March 1558); Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1202', Letter, (22 March 1558); on the meeting see Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1206', Letter, (26 March 1558); Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1216'.

⁵⁷⁶ Mary of Guise was not the first option for James, who had first married the eldest daughter of King Francis I. However, when James sailed to France in 1536, Francis had initially promised him the daughter of the duke of Bourbon. See Retha M. Warnicke, *Mary Queen of Scots*, Routledge Historical Biographies (London: Routledge, 2006), 20.

in Calais granted them a long-awaited reward. Mary Stuart married the dauphin of France on 19th April 1558. The cardinal of Lorraine conducted the ceremony in person, symbolising a great victory for him and his family.⁵⁷⁷

The following month, the duke of Guise besieged Thionville.⁵⁷⁸ Although the city was taken by the end of June, the family suffered a misfortune as Piero Strozzi, a high-ranking client of the cardinal of Lorraine, died during the siege.⁵⁷⁹ The French defeat at Gravelines the next month, however, put an end to the war and the agenda of the Guise temporarily. Notwithstanding the final military setback, the cardinal of Lorraine managed to retain his position at the court for some time.⁵⁸⁰ However, the alliance between the cardinal of Lorraine and the duchess of Valentinois, mistress of Henry II and political ally of the Guise family, soon came to an end as the Montmorency faction convinced the duchess to influence the king to seek peace instead of more war.⁵⁸¹

Nonetheless, another twist of fate gave renewed hope to the cardinal of Lorraine that the war would continue. The death of the Queen Mary of England in November opened new possibilities for the private agenda of the Guise family.⁵⁸² Mary Stuart, the niece of the cardinal of Lorraine, gained renewed political relevance because she could claim the English throne over Elizabeth, thus putting the peace negotiations at risk. The ambitions of Mary Stuart could have triggered a new marriage between Philip II and another English queen, thus reviving the Anglo-Hispanic alliance. However, France and the Hispanic Monarchy were financially exhausted and real peace negotiations lasted for months. The signing of the peace of Cateau-Cambrésis in early April 1559 closed the agenda of the cardinal of Lorraine and his family regarding the Habsburg-Valois conflict.

⁵⁷⁷ Ibid., 49.

⁵⁷⁸ Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1221', Letter, (5 June 1558); Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1224', Letter, (15 May 1558).

⁵⁷⁹ Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1242', Letter, (22 June 1558).

⁵⁸⁰ The cardinal participated actively in the negotiations. See for example Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1271', Letter, (21 October 1558); Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1276', Letter, (11 March 1558).

⁵⁸¹ Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1281', Letter, (15 November 1558).

⁵⁸² Giovanni Michiel to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1288', Letter, (28 November 1558).

Remarks to the case study:

The case study of the cardinal of Lorraine closes this chapter and reinforces the thesis of common strategies and goals among high-ranking state-builders. Lorraine was a person who sought to enlarge the prestige of his family by channelling its agenda through the authority of Henry II of France. The diplomatic services of the cardinal to the French monarch in the negotiations for a league with Pope Paul IV and the peace of Cateau-Cambr sis, for example, were coupled with actions that helped Henry II to finance his war against the Hispanic Monarchy and its allies. The military role of the cardinal's brother, the duke of Guise, as another high-ranking state-builder is also undeniable. The cooperation between the two brothers resulted in magnificent outcomes for their family, such as the wedding of their niece Mary Stuart.

On the specific aspect of the strategies that the cardinal of Lorraine employed to accomplish his personal goals, it is essential to remember that he was not alone. The duke of Savoy, cardinal Carafa and the cardinal of Lorraine found allies at the royal court such as the queen and the royal mistress. The personal agendas of these two women blended with that of the cardinal, and they were brought together through service to the monarch. The French defeat at Saint Quentin triggered a series of events that put into effect those alliances. For instance, the promotion of the cardinal and his brother and the role of addressing the pecuniary petition to the assembly of Paris in August 1557 to defend the kingdom were actions that contributed to the political consolidation of the state through the reinforcement of the monarchy.

Conclusions:

These three case studies are set against the backdrop of financial crisis in three different polities. Each case reflects the particularities of its social and economic context and allegiances. However, they all share some common characteristics. The three examples analyse high-ranking officers inside the royal or papal administrations. They were very close to their respective sovereigns, the result of actions taken by their relatives to place these three men in the right spot to develop their family agendas. In this sense, it is noteworthy to stress that they belonged to noble families with territorial claims. The sections on the duke of Savoy and cardinal Carafa are more evident in this regard. However, the cardinal of Lorraine and his family had an even greater demand:

Scotland. In effect, their influence in the island kingdom could only be ensured with the collaboration and protection of France.

The strategies that these state-builders employed were also surprisingly similar, especially when they compelled the urban oligarchies to make contributions to fund their respective wars. In their quest to raise funds for their masters' conflicts and to assert their private goals, the three high-ranking statesmen used soft and hard coercive means. While the former measure involved active negotiation, the second option involved the arrest of regional and local leaders, the threat of physical violence, or the compulsory and detailed registration of the wealthier social strata of each polity. In this regard, each section depicts a different level of coercion and outcomes.

The duke of Savoy, for example, employed hard coercive means such as physical violence and arrest to subdue the powerholders of Brabant. The results of his approach, nonetheless, were counterproductive to his interests and the resistance endured. Cardinal Carafa, on the other hand, represents a model in which negotiation fails and the verbal threat of harder coercive measures is necessary. The oligarchs collaborated more peacefully in this case because they realised that resistance could be extremely damaging. The cardinal of Lorraine, finally, simply negotiated and convinced the urban elites of the necessity to cooperate. Lorraine did not find as much resistance as in the cases of the Papal States of the Habsburg Low Countries, probably due to the strength of inter-urban bonds.

The undeniable outcome of this process of negotiation and coercion was a contribution from the cities of the territory. Leaving aside their different levels of resistance, it is surprising that all used municipality-backed debt to service the donative to the central government. The certainty of local taxes was what made this alternative way of funding the central state possible. In other words, investors in local debt trusted the councils. However, that trust could hardly exist in an environment of warfare where allied and enemy armies were close by and municipal debt levels were high. The case of Rome is paradigmatic in this respect because it demonstrates that high-ranking state-builders were involved in the process of creating trust, though only because they had a personal interest in this.

The individuals in these three case studies saw in conflict and coercion a way to channel their personal ambitions through their sovereigns. Although their private agendas often found resistance among other court factions and cities, these three men used any means at their disposal to overcome them. They are therefore perfect examples of high-ranking state-builders, though their primary goal was not the creation of a central state but their agendas. Their participation in the state-building process from within the central administration, at least under the circumstances and in the brief periods studied herein, was incidental. However, their private agenda was the necessary incentive to trigger their actions under the umbrella of their masters' authority. In other words, the three state-builders were part of formal institutions with respect to their sovereigns, but they followed patterns of informal institutions emanated from their family agendas when developing their strategies. Similarly to the case of the *Factoría General*, formal and informal institutions intermingled through their members' behaviour.

This first part of the dissertation concludes here by stressing that the process of early modern state-building was not the result of a unique social group such as the one these high-ranking officers represented. Instead, the following chapters highlight the participation of two other types of state-builders, who emerged directly from Genoese relational capital: independent entrepreneurs and local elites. The convergence of the private agendas of these three groups, finally, contributed to shaping the early modern state.

PART 2
THE VIEW OF THE BROKERS:
COSTANTIN GENTIL
AND
NICOLAO DE GRIMALDO

Chapter 4. Costantin Gentil and the recovery of the old debts

The previous chapters have analysed the origins of financial and administrative reform that Philip II initiated in 1556, when he inherited the Iberian kingdoms, to stress the role of medium- and high-ranking royal officials in the process of state construction. This second part of the dissertation aims to focus instead on independent actors outside of the royal administration, to elucidate their agency in the same social, political, and economic structure. Since the perspective of the Genoese lending community offers an insight into this process, the analysis of the trajectories of two Genoese lenders illustrates this part of the research: Costantin Gentil and Nicolao de Grimaldo. The former is the subject of this chapter, an independent financier who was also a broker of the mighty Centurione family. His case study provides clues that help to explain the recovery of trust among private capitalists and the consequent stabilisation of the credit market.

In order to demonstrate the importance of these independent entrepreneurs who operated outside of the central administrations, this chapter reconstructs the path to the first *asiento* with which Philip II agreed to repay his old debts through *juros*, a cornerstone in the process of the financial reform of the Hispanic Monarchy.⁵⁸³ This in-depth investigation reveals an individualised perspective of the many elements that came into play. The continuous correspondence between the three main centres of power in the monarchy -Valladolid, Genoa and Brussels- interacts in this chapter with the contracts and false promises made, thereby uncovering private agendas and leading to the next step in the transformation of the financial structure of the state and its consolidation in the turbulent first years of Philip II's reign.

4.1. Learning stage and early years at the royal court:

Costantin Gentil, also known as Costantino Gentile in some sources, was a transnational financier who operated in diverse territories of the Hispanic Monarchy (chiefly in Flanders and Castile) and the Republic of Genoa. He was born in Genoa as the second son of the marriage of Stefano and Maddalena Di Negro, in around the late

⁵⁸³ The *asiento* that López del Campo arranged with Daniel Spinola in July 1557 to provide funds to Italy, discussed in the previous chapter, also included old debts as part of the reimbursement. However, this was a decision that the general factor took alone. Costantin Gentile was the first to have royal consent.

1490s.⁵⁸⁴ Costantin Gentil learnt his profession through trading and arranging small-scale financial deals, as did many other prominent Genoese financiers. This period of his life took place in Seville during the late 1510s and early 1520s, where he naturally became part of the Genoese merchant community. The commercial routes that Gentil managed transported olive oil to the Habsburg Low Countries and sugar to Rhodes and Istanbul.⁵⁸⁵

He was also involved in the business of naval insurance for ships and cargoes, quite often in partnership with Fredrigo Spinola, another Genoese merchant with whom Gentil had a long-term business partnership.⁵⁸⁶ This sort of service to native carriers was not a monopoly of the Genoese community but it also involved many other businessmen from Castile in their early stages, predominantly from Burgos, Málaga, Valladolid, Portugalete and the Basque Provinces. This diversity demonstrates that native entrepreneurs enjoyed the same education and worked in the same spaces as their competitors from Genoa. Nonetheless, differences in organisational strategies arose when the entrepreneurs gained enough experience and participated in larger deals. Gentil began to interweave his social network with members of Genoese families, such as the Centurione, Sauli, di Negro, and Doria. These friendship ties helped him to participate in international banking operations, such as the circulation of bills of exchange to Lyon in the 1520s.⁵⁸⁷

While Costantin Gentil was still in this learning stage, the dynastic conflict between the Habsburg and Valois devastated his homeland.⁵⁸⁸ In 1528, however, emperor Charles V and the Genoese admiral Andrea Doria signed a contract in which the Republic of Genoa sided with the imperial forces against France.⁵⁸⁹ This deal improved the economic conditions of the Genoese diaspora in the Hispanic Monarchy

⁵⁸⁴ Maria Carla Italia, 'Gentile, Costantino', in *Dizionario Biografico Degli Italiani*, 2000, [http://www.treccani.it/enciclopedia/costantino-gentile_\(Dizionario-Biografico\)](http://www.treccani.it/enciclopedia/costantino-gentile_(Dizionario-Biografico)).

⁵⁸⁵ Enrique Otte, *Sevilla, Siglo XVI: Materiales Para Su Historia Económica* (Sevilla: Junta de Andalucía, Consejería de la Presidencia, 2008), 143, 169.

⁵⁸⁶ *Ibid.*, 234–35.

⁵⁸⁷ Alfonso Otazu, ed., *Dinero y Crédito (Siglos XVI al XIX): Actas Del Primer Coloquio Internacional de Historia Económica* (Madrid: Moneda y Crédito, 1978), 103–8.

⁵⁸⁸ Shaw, *The Italian Wars, 1494-1559*, chap. 6.

⁵⁸⁹ More details about this condotta contract and an exhaustive historiographical review in Herrero Sánchez, 'Sección Monográfica. La República de Génova y La Monarquía Hispánica (Siglos XVI-XVII)'; Puncuh, *Storia Di Genova*, 347–50.

considerably and seems also to have accelerated the convergence of family alliances in Genoa. When Costantin Gentil married into the Centurione family, he became part of this process.⁵⁹⁰ The Centurione was a Genoese group of dynasties (*albergo*) which included minor families of bankers, shipbuilders and merchants that belonged to the enterprising aristocracy of the Republic. In this sense, Gentil joined an economic, social, and politically influential network of people. For example, his wife's uncle was Adam Centurione, one of the three men that dominated the public life of the Republic together with admiral Andrea Doria and the Hispanic ambassador Gómez Suárez de Figueroa after the abovementioned alliance of 1528.⁵⁹¹

Unfortunately, the information about Costantin Gentil and his role in the business of the Centurione family in the Hispanic Monarchy until the mid-sixteenth century is scarce. Most of the evidence comes from the works of Enrique Otte, who identified joint operations between Gentil and Benedetto Centurione at the fairs of Lyon and Besançon in 1548 and 1550.⁵⁹² In this sense, we can observe that Gentil was already part of the Centurione consortium in the turn from the 1540s to the 1550s, when his uncle-in-law and patron Adam Centurione seems to have started to retire from the frontline of the firm after a long military and diplomatic service to Charles V and the Republic of Genoa.⁵⁹³ This was the moment when Gentil began to represent the

⁵⁹⁰ Gentil married Maria Centurione, niece of the patriarch of the Centurione family. See Gómez Suárez de Figueroa to Felipe II, 'AGS, EST, Leg. 1386, 7-8: Carta de Gómez Suárez de Figueroa, Embajador de España En Génova, a Felipe II, Rey de España', Letter, (13 August 1557), 7-8; also referred to in Ildefonso Pulido Bueno, *Génova En La Trayectoria Histórica de España: Del Auxilio Militar a La Preminencia Económica, SS. XI-XVIII: Grimaldi, Spínola y Centurión En La Empresa de La Reconquista, La Expansión Ultramarina y El Sosténimiento Del Imperio Español* (Huelva: Ildefonso Pulido Bueno, 2013), 324.

⁵⁹¹ The three men used to collaborate to pursue their personal agendas. For example, Centurione had supported the appointment of Doria's son Girolamo to the see of Tarragona in 1532. Their professional relationship, however, became a personal one when Centurione married his daughter to Doria's heir. See Adam Centurione to Francisco de los Cobos, 'AGS, EST, Leg. 1365, 229', Letter, (21 November 1532); Salvador Miranda, 'Doria, Girolamo', in *The Cardinals of the Holy Roman Church. Biographical Dictionary* (Florida International University, 2018), <http://cardinals.fiu.edu/bios1529.htm#Doria>; another example of the political and personal support of Centurione to Doria took place during the Fieschi revolt in the 1540s. See Sanz Ayán, *Un banquero en el Siglo de Oro*, 46, 58-59.

⁵⁹² Gentil also operated by proxy at these fairs in 1554, 1556, and 1557. See Otte, 'Sevilla y Las Ferias Genovesas Lyon y Besançon, 1503-1560', 265; Otte, 'Il Ruolo Dei Genovesi Nella Spagna Del XV e XVI Secolo', 37; Elena María García Guerra, 'Los Bancos Públicos En Madrid Durante El Reinado de Felipe II. Características, Actividades y Relaciones Con Las Finanzas Municipales', in *Banca, Crédito y Capital. La Monarquía Hispanica y Los Antiguos Países Bajos (1505-1700)* (Fundación Carlos Amberes, 2006), 324-25, endnote 34.

⁵⁹³ Among his military services to Charles V there are well-known incidents such as the expeditions to La Goulette (1535) or Algiers (1541). He was also appointed as a diplomatic representative of the Republic and Charles V in the 1530s to Castile and France respectively. See more details in Rodrigo Rodríguez-Ponga

Centurione consortium in the Hispanic Monarchy together with other relatives of Adam, especially in financial services to the Hispanic sovereigns.

In 1553, for example, Gentil offered a joint financial service to the prince-regent Philip to pay his lenders and arrears.⁵⁹⁴ In the contract, signed in Valladolid on 7th August 1553, Costantin Gentil and Felipe Spinola agreed to participate in an *asiento* that stipulated the payment of 500,000 ducats to other royal financiers. In other words, Gentil and Spinola forwarded money to the imperial cause while emperor Charles V repaid his other creditors on time. The prince-regent accepted this service to decrease the accumulation of interest for past debts, even though he also incurred new ones. This type of service was unusual because the sovereigns were linking their financial credibility to the ability of the lenders to fulfil their duties. Nonetheless, these operations had to be discreet and secret to avoid alerting the other financiers about the lack of solvency in the royal treasury.

The introduction of Costantin Gentil to the frontline of the financial deals with the Hispanic Monarchy was simultaneous to the progressive withdrawal of the main royal lending houses in the German area: the Fugger and Welser.⁵⁹⁵ While these lenders avoided injecting more liquidity into the imperial projects due to the difficulties in receiving their reimbursements, Costantin Gentil and Felipe Spinola prospered by issuing new loans to Charles V. The motivation for this activity between the two businessmen and the emperor, instead of accelerating a foreseeable bankruptcy as a

y Salamanca, 'Centurione-Oltramarino, Adamo', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/71571/adamo-centurione-oltramarino>; Giovanni Nuti, 'Centurione, Adamo', in *Dizionario Biografico Degli Italiani*, 1979, http://www.treccani.it/enciclopedia/adamo-centurione_%28Dizionario-Biografico%29/.

⁵⁹⁴ Carande Thovar, *Carlos V y sus banqueros*, 1987, 3: Los caminos del oro y de la plata:406, 482.

⁵⁹⁵ The decline of the Fugger's financial business with Philip II is historiographically linked to the bad relations that Anton, successor of his uncle Jacob Fugger as head of the firm, had with the royal secretary Francisco de Eraso and the generational shift of powerholders in Europe, which negatively affected to the Fuggers and other southern German firms. In this thesis, the following chapters highlight how Eraso and his political faction at the royal court sought support from the Genoese lending community rather than in the German lending houses. More details about this historiographical debate on political factionalism and generational history in Hermann Kellenbenz, *Los Fugger en España y Portugal hasta 1560*, Estudios de historia (Valladolid: Junta de Castilla y León, Consejería de Educación y Cultura, 2000), 639–40; Mark Häberlein, *The Fuggers of Augsburg: Pursuing Wealth and Honor in Renaissance Germany* (University of Virginia Press, 2012), chap. 4. In her biographical entry on Anton Fugger, Sanz Ayán provides the introductory literature to the topic and stresses the discrepancies between Eraso and Anton. See Carmen Sanz Ayán, 'Fugger, Anton', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/16203/anton-fugger>.

result increasing unrepayable debts, seems to be part of a larger agenda to displace other lending houses.

When the two financiers provided credit to Charles V, even though they knew that he could hardly service his liabilities, their intention was to gain the trust and favour of the sovereign for future deals. Their strategy was a success because the Genoese lending families managed to become almost the only financiers of Charles V in 1554, a trend that continued in the following years notwithstanding some sporadic financial deals with the Fugger in 1555 and 1556. Figure 3 illustrates this pattern based on the registry that the economic historian Carande made on the operations of private credit granted to the monarchy for the period 1552-1556. Although the field ‘*Italian*’ groups Genoese and Milanese lenders together, the presence of the latter was anecdotal. Despite the German resurgence in the later years, Genoese primacy in this sort of deal was already a fact. The credit operations of Costantin Gentil and Felipe Spinola in 1553 and 1554, therefore, reinforced the position of their lending community before its rivals.

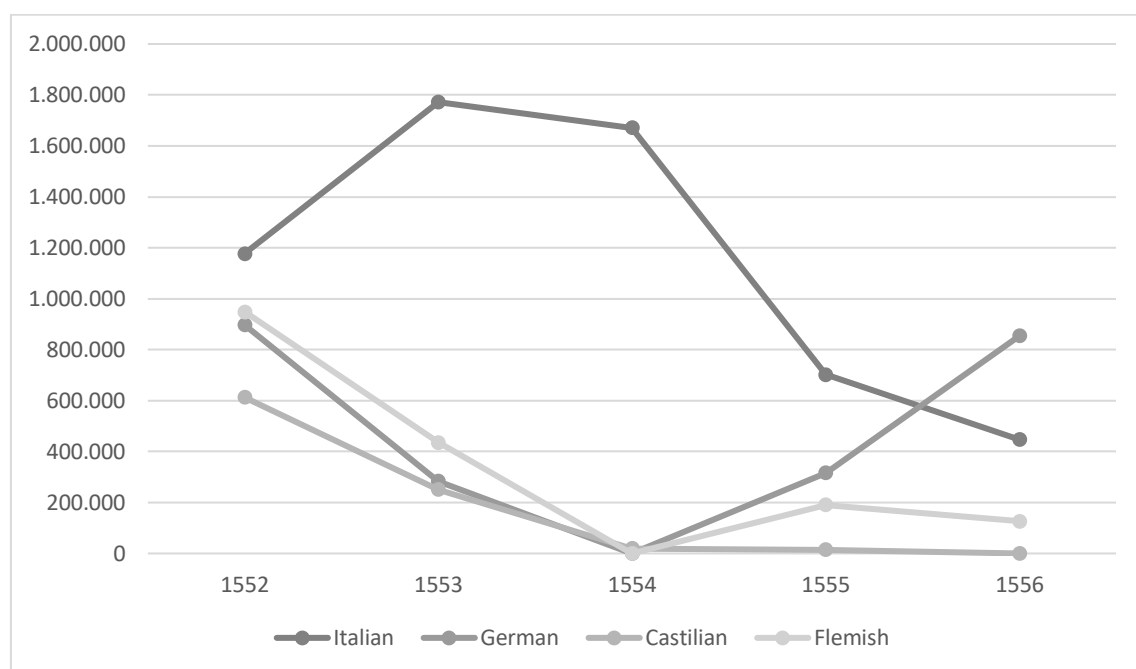


Figure 3. Ducats lent to the royal treasury by the lending community between January 1552 and August 1556. Source: Carande, Carlos V y sus banqueros. *Los caminos del oro y de la plata (Deuda exterior y tesoros ultramarinos)*, 3:478–92.

Apart from the credit shortage in 1554 that damaged Charles V's relations with his German financiers, the actions of Gentil and Spinola seem to have been part of an additional strategy to displace other Genoese lending houses while promoting their

own. Both Costantin Gentil and Felipe Spinola were close relatives of Adam Centurione and Nicolao de Grimaldo respectively, two of the most influential businessmen of the Republic of Genoa. Whereas the *pater familiae* remained in the metropolis overseeing the international network of agents, Gentil and Spinola channelled resources to the imperial treasury. In broad terms, Costantin Gentil and Felipe Spinola helped to displace German and Italian lending houses alike and reinforced the position of the Centurione and Grimaldi families as the main financiers of the monarchy. The agency of these two houses in solving the financial constraints of the sovereign was again necessary in 1558, just a year after another financial crisis that jeopardized trust in the king's solvency.

Besides the help given to avoid the collapse of the royal finances and protect his own investments, Costantin Gentil gained royal favour and a place in the regent's inner circle. Gentil formally joined the regency court in Valladolid on 14th June 1553, obliging him to settle permanently in the Castilian city.⁵⁹⁶ Many of those who grew up with Costantin Gentil in Seville started to work in the royal court by the middle years of the century too.⁵⁹⁷ Although the main studies on the Genoese financial rise emphasise the shift from trade to high finances, most of these houses continued their businesses by naming trustees and it is hardly possible that Gentil was an exception.⁵⁹⁸ Finance became, nevertheless, his newest and most profitable affair, the top aspiration for someone with the skills and social position of Costantin Gentil. In addition, his admission to the royal court not only granted him a great honour but also offered him many opportunities for social and economic promotion. In this sense, the case study of Costantin Gentil offers the perspective of a private entrepreneur who benefited from channelling his family agenda through the royal requests for financial services.

The official recognition of his service to Prince Philip demonstrated his financial capacity as a trustworthy businessman. This new role as courtier increased his reputation among other lenders and allowed him to undertake larger enterprises, like

⁵⁹⁶ Romano, 'Banchieri Genovesi Alla Corte Di Filippo II', 14; Carande Thovar, *Carlos V y sus banqueros*, 1987, 3: Los caminos del oro y de la plata:406; however, Alonso García does not consider that Gentil was part of the court yet. Cf. David Alonso García, 'Genoveses en la Corte. Poder financiero y administración en tiempos de Carlos V', in *Génova y la monarquía hispánica (1528-1713)*, vol. 1, 2011, 256.

⁵⁹⁷ An example of these colleagues was Andrea Lomelin. See Otte, 'Il Ruolo Dei Genovesi Nella Spagna Del XV e XVI Secolo', 36–37.

⁵⁹⁸ Pike, *Enterprise and Adventure; the Genoese in Seville and the Opening of the New World.*, 49.

those of 1558 mentioned above. Furthermore, Gentil gained access to one of the three main hubs of information in the Hispanic Monarchy (Valladolid, Genoa and Brussels). Being at the regent's court in Valladolid meant having access to meetings with the Council of Finances and, therefore, better sources of information about the political and economic context.⁵⁹⁹ The informal and circumstantial role of Gentil helped the administration provide him with news about the royal estate in Castile and allowed him to plan his financial strategies better.⁶⁰⁰ Therefore, he would know when it was more advisable to ask for debt liquidations and which royal incomes were the most reliable for allocating his repayments.

His privileged position explains why Costantin Gentil held 14.88% of short-term royal debt, which amounted to 1.12 million ducats and had not yet been allocated by mid-1556.⁶⁰¹ Gentil was so confident in the solvency of the sovereign that he even suggested the consolidation of the debt that he held in *juros* in October 1556.⁶⁰² Although his request was dismissed, his strategy was noteworthy and astute. He intended to obtain *juros* with a higher interest rate (10%-7.14%) than those the Council of Finances in Castile and López del Campo were considering for the upcoming debt consolidation (5%). If the royal officials accepted the consolidation of the outstanding debt that Gentil held, he and the Centurione consortium would have obtained trustworthy securities to pay their clients even though the process of securitization took longer.

The strategy that Gentil drafted seems to have aimed at liquidity rather than the health of the royal finances. In this sense, his role in the process of state consolidation at this stage of his career consisted in helping his family agenda rather than aiding the sovereign to solve his financial problems. If the debts of Gentil were converted into *juros*, he would have obtained liquidity after placing them in the secondary debt market. Keeping those *juros* at high interest rates would help him to distribute the debt titles

⁵⁹⁹ Another case study of a Centurione relative, Ottavio Centurione, has recently been examined, which emphasises the importance of being present at the royal court. See Sanz Ayán, *Un banquero en el Siglo de Oro*, 95–100.

⁶⁰⁰ The international correspondence among his peers was another source of information to employ during his stay at the court of the regent. See Doria, 'Conoscenza del mercato e sistema informativo'.

⁶⁰¹ Carlos Morales, *El Precio Del Dinero Dinástico*, 2016, 73–75.

⁶⁰² *Ibid.*, 76.

more easily. The accumulated debt that Gentil had engaged with the royal estate was linked to another debt with his own creditors. If the monarch failed to service his liabilities, Gentil and his consortium would find themselves without any liquidity for his creditors. In short, the problem was about maintaining the equilibrium between the credibility of both the sovereign and the Centurione lending house to avoid the collapse of the financial system.

The consolidation of the royal debt by Gentil and the subsequent issuance of *juros* to be sold in the secondary debt market was a risky operation that depended greatly on the agendas of the prospective investors. The liquidity Gentil intended to obtain from that sale, however, required a lengthy process that consisted in the transference of property rights on the debt title to the new holder through the intermediation of the royal administration. In other words, it was not a bilateral deal between Gentil and an investor. The physical payment of that new holder, on the other hand, could also delay the dispatch of liquidity if its payment was earmarked to a future income of the investor. Therefore, Costantin Gentil could transfer the *juro*, but he might find himself without liquidity to service those creditors who had initially invested through him in the royal debt and whom Gentil intended to pay with the liquidity obtained from the sales.

A final argument about the difficulties that Gentil would face if he decided to distribute his *juros* among his clients was that the acquisition of a *juro* did not grant an immediate royal income to back it. Indeed, the recurrent royal confiscations of American bullion in February 1555 and September 1556, left many businessmen with a large amount of *juros* without allocation compensation.⁶⁰³ In this sense, if Gentil seriously opted to consolidate his share of the royal short-term debt into *juros*, he would have had a problem to market them among his prospective new clients. The proposal of the Genoese financier was, therefore, risky because his reputation could be damaged if the *juros* he distributed were unreliable. In sum, his options were rather limited at that moment. On the one hand, he could wait for the monarch to repay his outstanding debt, a decision which would delay the repayment to his clients and thus compromise his reputation as broker. Another option was to consolidate his debt and begin to promote

⁶⁰³ Rodríguez-Salgado, *The Changing Face of Empire*, 208–9.

juros to either obtain liquidity in the secondary debt market or replace his private liabilities with his initial creditors. In the end, Gentil realised that it was better to consolidate his debt with the monarch and secure it for the future with royal incomes.

If the royal treasury accepted the issuance of *juros* at interest rates of between 7.14% and 10%, Gentil anticipated that this would make them more attractive and thus it would be easier to obtain liquidity. In this way, the investments in royal debt that Charles V had initially defaulted on because he was unable to find an allocation to repay them when they were due could be transformed into profitable long-term incomes. Moreover, this process of debt consolidation would allow the sovereign to postpone the reimbursement of the principals in the short-term, which freed some liquidity to address more urgent issues related to the ongoing war. However, despite all the privileged information Gentil had, the Council of Finances did not take the bait and the financier found himself again in a very difficult situation.

Since we know that Costantin Gentil was owed 1.12 million ducats in October 1556, such a sum of money due was impressive considering that he had promised the monarch circa 2.07 million ducats between 12th March 1552 and 13th January 1556, a period of barely three years. Chart 2 illustrates how the royal treasury accumulated a gross liability of 2,752,197 ducats, once principal and interests (682,197 ducats) were grouped together, through 15 *asientos* with the Costantin Gentil. The annual interest rate of these operations, always based on Carande's data, was nominal. In other words, each financial service agreed to include an interest rate in the contract that corresponded to that transaction. However, this data is not entirely trustworthy because each *asiento* was an operation that was subject to later changes, such as the transference of liabilities among lenders. In this sense, this chart intends to offer an initial approach to a much more complex situation since a more detailed analysis of each one of those financial services has no interest for this dissertation. The chart, nonetheless, sheds light on the recurrent activity of Gentil and his ability to supply large amounts of capital when needed, especially in August 1553 and June 1554.

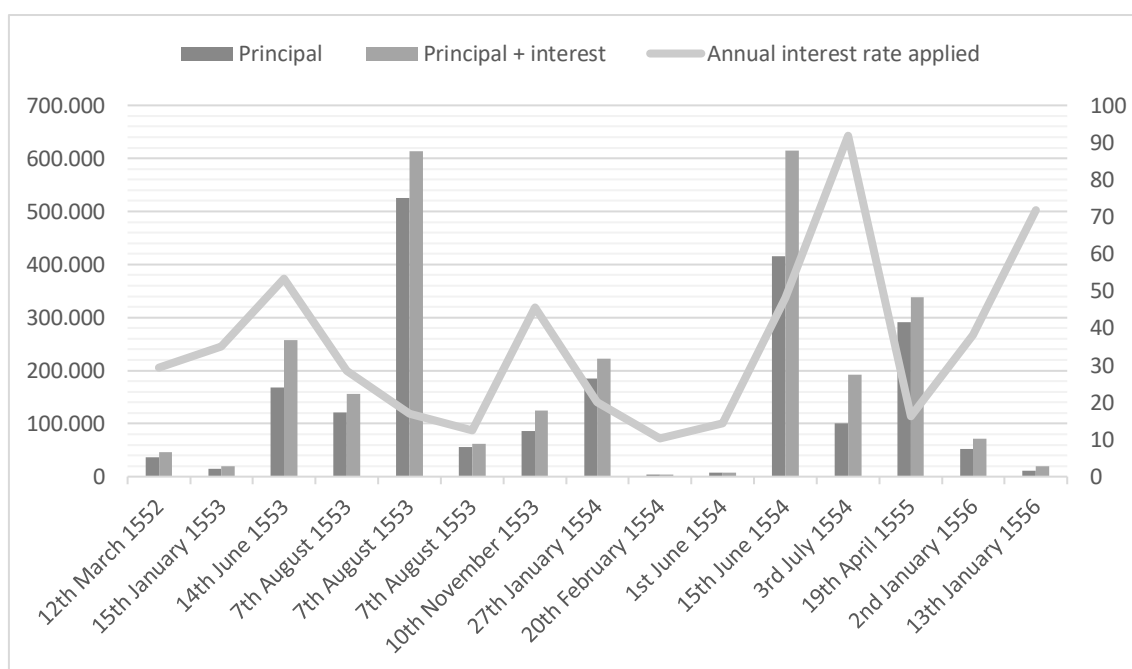


Chart 2. *Asientos* signed with Costantin Gentil (1552-1556) in ducats (left axis) and their interest rate (right axis). Source: Carande, Carlos V y sus banqueros. Los caminos del oro y de la plata (Deuda exterior y tesoros ultramarinos), vol. 3, pp. 472–97.

Nevertheless, emperor Charles V was unable to pay back all his debts to Costantin Gentil by the time prince Philip inherited the Kingdom of Castile in January 1556. If we consider those 1.12 million ducats of accumulated debt until January 1556, excluding any compound interests that might have resulted from the previous operations, the liabilities date back to June 1554. In the best case, Gentil held the royal debts for over two years, something impressive given the characteristic short-term period of *asientos*. As we will see more in detail in the third section of this chapter, *asientos* were arranged to be fully reimbursed, including interest, within a year after their signing unless the contract involved unusually large sums of money.⁶⁰⁴ The delay that Costantin Gentil experienced simply confirms how difficult the last years of the emperor's reign were in financial terms. His lack of liquidity, mainly because of the French war, did not allow him to pay back either his principal according to the estimated schedule or the accumulated interest.⁶⁰⁵

⁶⁰⁴ This tendency continued even in the seventeenth century. See Sanz Ayán, *Los banqueros y la crisis de la Monarquía Hispánica de 1640*, 61.

⁶⁰⁵ Rodríguez-Salgado, *The Changing Face of Empire*, 118–19.

There were few options left to Gentil if he wanted to recover his money, especially after almost becoming bankrupt in September 1556.⁶⁰⁶ He left Valladolid in October 1556 and moved to Brussels, where king Philip II had established his court during the war.⁶⁰⁷ There were two important reasons behind this decision. First, the payments fair at Medina del Campo in October 1556 was delayed without a fixed new date. The general factor López del Campo and other royal payers, as described in the second chapter, were in no condition to take on the monarch's debts. The uncertainty of the situation might have prompted Gentil to move hastily to Brussels, where he could more easily influence Philip II to order the celebration of the fair and resume the reimbursements on time. Nonetheless, his strategy failed and the fair was not held until 2nd January 1557.⁶⁰⁸ The main reason behind this delay lay in the fact that the king had requested a delivery of funds to Flanders in the final months of 1556. His urgency diverted any resources available, even the money assigned to pay debts at the Medina del Campo fair. The monarch awaited the navy sailing from Laredo but, as the general factor López del Campo reminded the sovereign in December 1556, the Northern sailors refused to depart before Christmas.⁶⁰⁹

The second reason why Gentil moved to Brussels is a direct consequence of the first. He wanted to be nearer Philip II so he could recover his debts more effectively. This decision highlights the lack of willingness in Castile, or at least the power of decision-making, to satisfy the businessman's needs. The new system of royal factors, officially established on 22nd September 1556 and intended to reorganise the royal finances to ease the flows of credit, came into action too late. Costantin Gentil was already on his way to Brussels when López del Campo arrived in Castile. The Genoese financier left the Castilian representation of the Centurione family in the hands of Luciano Centurione, who surely reported to Gentil the news about the general factor, though no reference has been found to this in their correspondence.

⁶⁰⁶ This rescue was an exceptional case, though necessary to keep alive the financial and political links with Genoa. See *ibid.*, 232.

⁶⁰⁷ Carlos Morales, *El Precio Del Dinero Dinástico*, 2016, 75.

⁶⁰⁸ Hernández Esteve, 'Guerra, Gestión Experta y Contabilidad En La Real Hacienda', 277.

⁶⁰⁹ Most probably, the adverse weather conditions were the main cause for this delay, though it is not explicitly said in the letter of López del Campo. See Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 291', Letter, (20 December 1557), 291.

Since the beginning of his appointment, the general factor had been subordinated to the funds that the Council of Finances wanted to grant him. In this sense, there was an intense competition underway between the regency ministers and the king's man in plain sight of everyone.⁶¹⁰ The lack of funds that López del Campo experienced in the last months of 1556 attracted the attention of the many financiers who had been summoned to deal with him since his arrival, as observed in the second chapter. This precarious situation might have been an important reason for Gentil to decide against coming back to Castile. The innovative system of royal factors was useful for the monarch and his lenders as long as the economic policies of the regency converged with their interests. In other words, Costantin Gentil knew that López del Campo was powerless unless the Castilian regency and its institutions desired otherwise. As the financier had left precisely for this reason, it was senseless to return to Castile.

These competences divided between the regent's board and the general factor reflect two active parts in a power struggle. On the one side, Philip II tried to keep his lenders calm through the new system of factors. On the other, the Castilian institutions resisted the meddling of the new royal agent, although they finally adapted the new system to their own interests. As a result of this, Costantin Gentil, one of the most important financiers of the monarchy and representative of the powerful Adam Centurione, decided to take his petitions directly to the king. Nonetheless, the businessman ignored the fact that he had to wait until the monarch and the Castilian regency agreed a consolidation of the short-term debt before he could recover the full amount of royal debts that he still held. As a result, Gentil was left with no other option than to follow the policies of his family-in-law and help the monarch in his worst moments.

4.2. When war knocks at your door: the Centurione consortium before the financial transformation

The previous section gave a glimpse of the finances of Costantin Gentil until October 1556, when he moved to Brussels to try to convince Philip II to repay his debts. Although no personal records of the broker seem to have survived, Gentil clearly understood the political discrepancies between the monarch and the Castilian regency.

⁶¹⁰ Hernández Esteve, 'Guerra, Gestión Experta y Contabilidad En La Real Hacienda', 294–95.

These differences were based on the income ceiling of the monarch in Castile, which limited expenditures and any possible reimbursement of debts. This meant that Gentil's creditors would not receive any money back unless their broker convinced the sovereign to pay. The delay of October 1556 fair in Medina del Campo to January 1557, mentioned above, suggests that the Genoese financier failed.

That postponement of the celebration of the fair was directly related to the demands for liquidity in Flanders and Italy. While Philip II had requested 200,000 ducats from his sister Joanna in the autumn of 1556, the duke of Alva also demanded 600,000 ducats for the Italian campaign.⁶¹¹ Obviously, regent Joanna could not service all these commitments and simultaneously have liquidity for the fair in October, even though the arrival of the American fleet at Seville could provide her with some additional funds. While the regent collected as much money as she could, the truce of Vaucelles with France signed in February 1556 was about to end according to the warnings of royal informants in Europe.⁶¹²

Gómez Suárez de Figueroa, the Hispanic ambassador in Genoa, warned regent Joanna on 21st January 1557 that the truce with France had been terminated.⁶¹³ On 6th January 1557, French armies had invaded the south of Flanders while, simultaneously, French troops had marched into Piedmont and advanced along the Po river.⁶¹⁴ The economic strategy of Philip II and his ministers was to keep borrowing, using the unpaid debts as bargaining chips to finance the war.⁶¹⁵ On 1st January 1557, the monarch had already foreseen the end of the truce with France and arranged an important *asiento* of 430,000 ducats with the factor of the Fugger family in the Habsburg Low Countries,

⁶¹¹ Joanna of Austria to Philip II, 'AGS, EST, Leg. 114, 226-232'; Duke of Alva to Juana of Austria, 'AGS, EST, Leg. 144, 234'.

⁶¹² French galleys at the service of the Pope Paul IV intercepted deliveries of supplies to the Hispanic troops in Italy in late December 1556 and early January 1557. See Manuel Fernández Álvarez, ed., *Corpus documental de Carlos V. 4: 1554 - 1558* (Salamanca: Ediciones Universidad de Salamanca, 1979), 291-92.

⁶¹³ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1386, 119-120', Letter, (21 January 1557).

⁶¹⁴ The duke of Guise led a French invasion of Italy to officially help pope Paul IV against the Hispanic armies from Naples. See Shaw, *The Italian Wars, 1494-1559*, 266-70.

⁶¹⁵ Don Bernardino de Mendoza, member of the Privy Council of Philip II, was appointed to deal with the German lending houses of Antwerp, which in November 1556 demanded the reimbursement of 1.4 million crowns that were due. These lenders only received good words and promises of a future repayment with 25% interest rate. It was clear that the situation was becoming more tense in the Habsburg Low Countries because of the lack of liquidity. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 703'.

Matthaus Örtel.⁶¹⁶ This deal gave recognition to something that Costantin Gentil had sought for a long time: a trustworthy repayment plan of outstanding debts. In this case, the Fugger confirmed the repayment of 600,000 ducats from old debts. The reimbursement was scheduled to last eight years and the sovereign committed himself discreetly to paying 25,000 ducats in both 1557 and 1558. The remaining debt would be repaid in annual sixths, that is, 91,666 ducats per year.

The debt recognition and its repayment schedule reveal two main points of the monarch's strategy. First, he was not inclined to spending too much liquidity on the reimbursement of past debts; partly due to the war and because the payments due were an incentive for other financiers to keep lending. The monarch had to pretend to be solvent if he wanted to keep his lenders on his side and not against him.⁶¹⁷ Secondly, Philip II was reluctant to facilitate a financial oligopoly of the royal estate in the hands of Genoese financiers, who hitherto had the largest share of royal liabilities. Therefore, the Fuggers won this battle to recover their loans, while Gentil was still trying to obtain that mercy. Indeed, this royal attitude towards banking coalitions was a common pattern during his whole reign as is pointed out in the first chapter.⁶¹⁸

Doubtlessly, the war consumed the king's available income and every day news arrived with demands for more funds for the defence of the monarchy.⁶¹⁹ On 21st January 1557, for example, Suárez de Figueroa wrote to regent Joanna requesting more funds (*provisiones*) to pay royal lenders.⁶²⁰ In addition, Juan Antonio Palavicino Basadone and Negron de Negro, two traditional financiers of emperor Charles V, were now rushing the ambassador to pay back what the former sovereign owed them. A few

⁶¹⁶ Kellenbenz, *Los Fugger en España y Portugal hasta 1560*, 151; Council of Finances, 'AGS, CJH, Leg. 30, 3-4' (Asiento copy, 1557), 30; the archival reference of the copy of the asiento is provided by Carlos Morales. See Carlos Morales, *Felipe II*, 68–69.

⁶¹⁷ This pretention was hard to sustain given that Brabant, the richest region in the Netherlands, did not want to give more money to Philip II until he abolished some taxes. As we have seen already, without trustworthy taxes it was hard for the monarch to borrow. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 741'.

⁶¹⁸ Carlos Álvarez Nogal, 'La estrategia de la real hacienda en la negociación del crédito de los Austrias', in *Dinero, moneda y crédito en la monarquía hispánica: actas del Simposio Internacional* (Dinero, moneda y crédito: de la monarquía hispánica a la integración monetaria europea; Madrid, 4-7 de mayo de 1999, Fundación ICO, Ediciones de Historia, 2000), 449–51.

⁶¹⁹ This lack of funds led to major mutinies in the Hispanic army, such as that of Hesdin. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 773', Letter, (24 December 1556).

⁶²⁰ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1386, 119-120'.

days later, on 27th January 1557, the diplomat wrote again to regent Joanna to inform her about the fall of Valenza, a village approximately 100 km north of Genoa, to a French army that met with no resistance. Furthermore, the ambassador feared a possible encounter with the Papal army in Rome.⁶²¹ With France advancing on two fronts and little hope for peace, rumours spread that the Pope was trying to turn Venice against Spain.⁶²² Consequently, the ambassador, in collaboration with the political and military leaders of the Duchy of Milan -the cardinal of Trent and the marquis of Pescara respectively - began to prepare the Hispanic offensive, although their funding was quite limited.⁶²³

Apparently, the military campaigns did not support the plans of Costantin Gentil. Two months after moving to Brussels seeking royal favour, the resumption of the war with France facilitated an audience with Philip II, but not to repay his debts. Although the monarch had already arranged the *asiento* with the Fuggers, it was not enough as the general situation, economically and militarily, was deteriorating every month. On 19th February 1557, the ambassador to Genoa wrote to the king's secretary, Francisco de Eraso, reporting that French troops were being spread around the territory close to Genoa, and the Republic had started to arm men to garrison the city and Corsica.⁶²⁴ Moreover, he urged the secretary to order more money for Italy, once he realised regent Joanna was reluctant to accept his request without royal authorisation. More surprisingly, Suárez de Figueroa also outlined to Eraso that the Republic expected Philip II to assume half the cost of the defence. This assumption reinforces the historiographical concept that considers Genoa as an aggregated state rather than an independent ally of the Hispanic Monarchy.⁶²⁵

Therefore, it was necessary to send new funds to safeguard the semi-independence of the Ligurian republic. The threat to Genoa was real and simultaneous

⁶²¹ Although there was a temporary truce between the Pope and the duke of Alba that lasted forty days starting from December 1556, Hispanic high-ranking officers already foresaw a French invasion of the Piedmont in the same month. See Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1385, 85', Letter, (17 December 1556).

⁶²² Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1386, 119-120'.

⁶²³ Gómez Suárez de Figueroa to Juan de Mendoza, 'AGS, EST, Leg. 1386, 148-149', Letter, (29 January 1557).

⁶²⁴ Gómez Suárez de Figueroa to Francisco de Eraso, 'AGS, EST, Leg. 1386, 4'.

⁶²⁵ Herrero Sánchez, "Una República Mercantil En La Órbita de La Monarquía Católica (1528-1684). Hegemonía y Decadencia Del Agregado Hispano-Genovés".

to that to Milan, which had been under siege since February.⁶²⁶ This dangerous situation risked two of the main strongholds of Philip II in Italy, who saw how his political reputation was at stake. Once the Fuggers had been tackled, the ensuing strategy required Genoese financial collaboration. The lack of liquidity had stopped Gentil from lending any money since his arrival in Brussels. In March 1557 he was already back in Castile, most probably attracted by the popularity of López del Campo, who had started to gain the trust of Genoese financiers there. Once back in the Iberian Peninsula, on 8th March 1557, Gentil arranged a large *asiento* in partnership with Adam, Benito, Bautista, Luciano and Cristobal Centurione.⁶²⁷

This contract has passed unnoticed by most of the scholars who work on the royal suspension of payments in April-June 1557, perhaps because of the scattered information about it. Unlike Pulido Bueno, Ulloa considered the operation as a single *asiento*, a claim that is supported in the correspondence of the royal factor in Genoa Silvestre Cattaneo, in which he referred to this deal as an *asiento* of 800,000 ducats.⁶²⁸ The controversial agreement promised bills of exchange valued at 160,000 and 640,000 ducats. In return, the consortium received a license to export all the money, plus to recognise the 1.15 million ducats debt that the king still owed Gentil. The royal liabilities with Costantin Gentil had increased by 30,000 ducats since October 1556. With no contracts signed between October 1556 and March 1557, the increase in the royal debt can only mean a progressive accumulation of annual interest at 6.9%. This estimate complements the data used in chart 2 in Carande's study, which reflects sharp peaks and falls in the annual interest rates of each new contract with Gentil since 1552. In this sense, the recognition of the entire debt with a relatively low interest rate symbolised an agreement between the monarchy and the lender.

⁶²⁶ Rodríguez-Salgado, *The Changing Face of Empire*, 159.

⁶²⁷ Philip II to Joanna of Austria, 'AGS, EST, Leg. 516, 19-22', Letter, (n.d.).

⁶²⁸ In 2004, Pulido Bueno interpreted this deal as consisting of two different contracts; see Ildefonso Pulido Bueno, *La familia genovesa Centurión: (mercaderes diplomáticos y hombres de armas), al servicio de España, 1.380-1.680: una contribución a la defensa de la civilización occidental* (Huelva, 2004), 153. Although he corrected his position in a later work, Bueno still mistook the value of the principal; see Pulido Bueno, *Génova En La Trayectoria Histórica de España*, 332; Modesto Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 3rd edition (first published in 1963) (Madrid: Fundación Universitaria Española, Seminario Cisneros, 1986), 140; Silvestre Cattaneo wrote [...li ducati DCCC U -800.000- che V. Mta ha ordinato in Spagna a Fernan Lopez del Campo...]; see Silvestre Cattaneo to Philip II, 'AGS, EST, Leg. 1386, 75-77', Letter, (27 March 1557).

Leaving aside the historiographical discrepancies about this *asiento*, its importance for Gentil's contemporaries was paramount. Silvestre Cattaneo stressed several times in his correspondence to Philip II how important this *asiento* was for the correct functioning of the financial system.⁶²⁹ The royal factor commented that the general spirit among the Genoese businessmen was linked to the monarch's ability to pay. The accumulated debts and the episode that took place in 1556, when the duke of Alva seized some private funds arriving in Genoa and forwarded them to Naples, had diminished the trust of many.

The royal factor was also alarmed because he did not receive news about the departure of the galleys with the 300,000 ducats from Barcelona to Genoa that would hopefully smooth the social tensions in the Republic. Indeed, he warned regent Joanna and the general captain Juan de Mendoza, who was in charge of the Hispanic galleys in the western Mediterranean Sea docked in Genoa, to provide additional escort to that navy. France was mustering thirty-five galleys in Marseille, which could pose a threat to the journey from Barcelona to Genoa. Mendoza rejected Cattaneo's plea since the galleys docked in Genoa were waiting to transport German mercenaries to Naples instead.

This episode illustrates the divergent priorities and conflicts that existed in the royal administration. Service to the king was closely linked to private and individual interests that could jeopardise the duties assigned to each person. In this sense, the collaboration among royal officials was limited to whatever was strictly necessary. War priorities took precedence over financial ones, which eventually might mean the collapse of Genoese financial support for the Hispanic Monarchy. The agency of Cattaneo, a medium-ranking official of the royal administration, to safeguard Genoese interests reflects his close collaboration with independent entrepreneurs outside the royal administration. Nonetheless, Cattaneo pursued his own personal agenda, which consisted of preserving his position in the royal administration through the protection of the Genoese pyramidal system of lending discussed in the first chapter. In other words, the private agendas of high- or medium-ranking royal officials and independent entrepreneurs from outside the royal administration would overlap when they provided

⁶²⁹ Cattaneo to Philip II, 'AGS, EST, Leg. 1386, 75-77'.

a joint service to sovereigns. Conflicts such as the war between the Hispanic Monarchy and France were catalysts for their activities, which accelerated the accomplishment of individual and family goals and contributed to the consolidation of the early modern state consolidation.⁶³⁰

The actions of Cattaneo in Genoa and Gentil at the regent's court resulted in the arrival of the navy of twenty-eight galleys from Barcelona with the 300,000 ducats on 30th April 1557, after more than four weeks of anxiety among the Genoese creditors.⁶³¹ The repayments that Costantin Gentil had arranged with López del Campo finally materialised for the 'contentment and happiness' of all the Genoese and the other royal representatives in Castile. It took between five and six days to unload the gold and silver that these ships had brought to Genoa. Afterwards, the troops that had come from the Iberian Peninsula departed with Juan de Mendoza for Naples to help the duke of Alva. The duke had been organising the defence of the Kingdom of Naples since Papal and French forces invaded in March 1557.⁶³²

The money from Gentil's *asiento* was assigned to the cardinals of Trento and Burgos, who oversaw the defence of Milan and Siena respectively.⁶³³ Leaving aside the vicissitudes of war, the fact that no other *asiento* had been signed with Genoese financiers in the previous two months stresses the importance of this deal. Indeed, Costantin Gentil had achieved the recognition of past debts and could check by himself that repayments were taking place accordingly. In fact, the agency of Gentil helped to keep the Genoese financial community loyal to the Hispanic Monarchy. In addition, the *asiento* also reflected the effective and collaborative family strategy of the Centurione. From this moment until the second debt consolidation in November 1560, the subsequent large loan contracts for over 50,000 ducats arranged by Costantin Gentil

⁶³⁰ The Centurione family analysed in this chapter, for example, were military providers besides financiers. Their complementary activities resulted in ennoblements and other mercies. Recent works have stressed this point, thus highlighting the role of private entrepreneurs from outside the royal administration in the activities of the Hispanic Monarchy. See Maréchaux, 'Instituciones Navales y Finanzas Internacionales'; Sanz Ayán, *Un banquero en el Siglo de Oro*.

⁶³¹ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1386, 109-110', Letter, (16 May 1557).

⁶³² Rodríguez-Salgado, *The Changing Face of Empire*, 159.

⁶³³ Cattaneo to Philip II, 'AGS, EST, Leg. 1386, 75-77'.

with royal representatives were always made in collaboration with the Centurione family, whereas he managed the small-scale deals on his own.

The *asiento* of 8th March 1557 was a success for the agenda of the Centurione lending house, which used to help the Hispanic sovereigns in moments of utmost necessity. The deal confirms that the monarch always tried to avoid financial oligopolies that could interfere with his policies. The hiring of Genoese businessmen rather than members of the Fugger lending house was in line with this strategy. Besides this royal policy, the Centurione family consortium was desperate to recover liquidity. Their situation was generally acknowledged in March 1557, when the king wrote to the ambassador and royal factor in Genoa requiring 150,000 escudos from them.⁶³⁴ This additional sum of money was consigned to the cardinal of Burgos, Francisco de Mendoza y Bobadilla, who commanded the defence of Siena.⁶³⁵ The monarch's messenger also carried letters for Adam Centurione and Agustin Lomelin, whom Philip II pleaded with to help him by providing the sum of money. The answers given by Suárez de Figueroa and Silvestre Cattaneo, written on 26th and 27th March 1557 respectively, illustrated the difficult situation of the Centurione family.⁶³⁶

In their letters, the ambassador and the royal factor noted that Adam Centurione had long ceased conducting business on his own and that he had a large financial burden of unpaid debts in the Iberian kingdoms. It appears that Philip II was aware of this situation, probably thanks to Gentil when he was in the Habsburg Low Countries, yet still tried to encourage the Centurione to prevail and provide the service. Despite this pressure, neither Adam Centurione nor Agustin Lomelin were likely to risk their own patrimony, so the ambassador and the royal factor only received offers of a joint sum of 50,000 escudos.⁶³⁷ Adam Centurione and Agustin Lomelin finally decided to provide some funds to pay German mercenaries, although much less than what was solicited.

⁶³⁴ Ibid.

⁶³⁵ The correspondence of Suárez de Figueroa reveals that the Mendoza family made the defence of the axis Barcelona-Genoa-Milan their duty with the sovereign. While the cardinal organised the land forces, Bernardino and his son Juan de Mendoza organised the galleys that patrolled the Western Mediterranean Sea and carried funds to Genoa from Barcelona.

⁶³⁶ Gómez Suárez de Figueroa to Felipe II, 'AGS, EST, Leg. 1386, 3', Letter, (26 March 1557); Cattaneo to Philip II, 'AGS, EST, Leg. 1386, 75-77'.

⁶³⁷ According to the ambassador, Agustin Lomelin was more merchant than financier, so his capability to raise money for the King was more limited than that of Adam Centurione. See Gómez Suárez de Figueroa to Felipe II, 'AGS, EST, Leg. 1386, 3'.

Nonetheless, Lomelin provided 15,000 escudos and Centurione 2,500, which highlights how desperate the situation was. The question whether their proposal was sincere or the result of a punitive action that the businessmen wanted to impose on the monarch cannot be answered without further research into their private accounts. The delay in the arrival of the Hispanic galleys mentioned above doubtlessly became a dividing element that tested their collaboration with the royal administration and the coalition strategies of the Genoese financial houses. The Genoese lack of a union at this stage of negotiations challenges the idea of a lenders' coalition, which scholars have pointed out lately.⁶³⁸

In a letter to regent Joanna, Suárez de Figueroa let her know about the new agreements he was making with other Genoese lenders in Genoa, like Simon Spinola and Negron de Negro, which stresses the importance of private agendas in the community before the coalition strategies.⁶³⁹ Adam Centurione and Agustin Lomelin might not have been too willing to lend much money to the king, yet other financiers took their chance to challenge the Centurione pre-eminence. The situation was crystal clear, the richest financiers were starting to show signs of weakness and lack of liquidity. Those who had cash in Genoa preferred not to invest it in royal enterprises because of the distrust of the monarch's debts at that moment. Furthermore, the reputation of Philip II was not only in danger because of his lack of liquidity but also because of false news arriving in Genoa.⁶⁴⁰

The generalised disinformation and the few channels of communication available in wartime began to hamper the sovereign's ability to keep borrowing. The uncertain situation led to loans being rejected, numerous clauses being imposed in loan contracts, and a reduction in the credit available. Both rich and medium-ranking businessmen were trapped in the same net with the royal administration. If these lenders abandoned their deals with the Hispanic Monarchy, the war could become even worse. Philip II realised that it was time to reform the system and enhance new flows of credit.

⁶³⁸ Drelichman and Voth, *Lending to the Borrower from Hell*, 161.

⁶³⁹ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1386, 104', Letter, (26 March 1557).

⁶⁴⁰ Silvestre Cattaneo to Francisco de Eraso, 'AGS, EST, Leg. 1386, 46-47', Letter, (4 February 1557).

4.3. Restructuring the financial system: Costantin Gentil and the old debts

On 17th April 1557, Philip II ordered the regency government in Castile to consolidate his floating debt into *juros al quitar* with a 5% interest rate.⁶⁴¹ This type of *juro* was not the only one available at the time. Previously, emperor Charles V had already issued *juros de caución*, which were insurances that financiers could enforce if repayments were not paid on time. Philip II ordered his Council of Finances to observe the use of these *juros de caución*, while the burden of the debt was turned into long-term bonds *al quitar* at a lower interest rate. Although the orders were clear enough, the financial circumstances of the royal household in Castile impeded their full execution. The incomes for that year were not enough to cover the whole debt, which meant that the consolidation was partial, something often overlooked in the literature. The 1.15 million ducats of royal liabilities that Costantin Gentil held according to his *asiento* of March were also included in the decree, though the king could only transform this into *juros* with 5% interest, approximately 315,000 ducats. These new royal debt titles were not, of course, only intended to pay Gentil back. They were granted to the multiple financiers to whom the monarch owed money. The Fuggers, nonetheless, were excluded from the decree on 28th April 1557 because of their long-term services to the monarchy.⁶⁴²

The interval between the royal order in April and its final enforcement on 10th June does not indicate the existence of a financial operation of Gentil or his wife's family. Neither the regency in Castile nor the Genoese lenders desired to arrange new deals once the monarch's decision was known. The restlessness in the Republic of Genoa was evident. While French troops had fortified their positions in Piedmont and plundered the territory without resistance, Hispanic and allied soldiers were badly paid for battle. The ambassador Suárez de Figueroa foresaw that such a situation could result in the outbreak of multiple revolts.⁶⁴³ The authority of Andrea Doria, a close ally of Adam Centurione, helped to temporarily calm the agitators. The ambassador was very familiar

⁶⁴¹ Philip II to Council of the Estate, 'AGS, CJH, Leg. 32, 42'.

⁶⁴² Their exclusion was confirmed on 10th June. See Ruiz Martín, 'Las finanzas españolas durante el reinado de Felipe II (alternancias de participación que se ofrecieron para Francia)', 116.

⁶⁴³ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1386, 109-110'.

with the situation when he read a letter from regent Joanna dated 28th June. The princess told him to prepare for protests after the consolidation of the royal debt.

The regency of Castile finally decided to decree an initial suspension of payments on the short-term debt, which was followed by the consolidation into *juros* at 5% interest. The transformation of the short-term liabilities into long-term ones with a different interest rate spread panic in Genoa in the last days of June 1557. The heads of the lending houses received the first letters from their agents and dependant merchants in Castile reporting the new measure.⁶⁴⁴ Everybody in the Ligurian city became worried because of the upcoming Genoese fair of August, where it was possible that all the investors might want to withdraw their profits or even their principal.⁶⁴⁵

The Genoese financiers, famous masters of bills of exchange, found themselves ruined due to their lack of liquidity and trustworthy securities. Some of the lenders most affected by the decree were Adam Centurione and his brothers, who had worked closely with Costantin Gentil since his earliest years as a financier. The Centurione, however, quickly set up a two-pronged plan to face this adversity. Adam Centurione pleaded an intercession before the monarch to the ambassador López de Figueroa, while also sending Costantin Gentil to the Habsburg Low Countries with instructions to convince Philip II to exclude them from the edict, as the sovereign had done with the Fuggers.⁶⁴⁶

The relationship between Adam Centurione and the ambassador Suárez de Figueroa was based on reciprocal aid. The Genoese businessman used the diplomat's institutional role to recall the many services he had provided to the emperor and the king in the past.⁶⁴⁷ For instance, Centurione had refused to receive the interest on a debt of 50,000 escudos from the emperor and was said to have lent that money in service to His Majesty.⁶⁴⁸ Evidently, the patriarch of the Centurione firm had pursued a long-term agenda. These services to the Hispanic sovereigns had helped his agents to enter the

⁶⁴⁴ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 78'.

⁶⁴⁵ There were four fairs in Genoa: Apparition Day (1st February), Easter (2nd May), August fair (1st August) and the Saints' fair (2nd November). Each lasted for eight days, with the payments being made on the last day. See Pietro Paolo Scali and Ricci, *Introduzione alla pratica del commercio* (Stamperia di Gio. Paolo Fantechi, e compagni, 1751), 151.

⁶⁴⁶ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 78'.

⁶⁴⁷ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 81', Letter, (23 July 1557).

⁶⁴⁸ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 78'.

royal service and led to the concession of mercies such as the ennoblement of Adam Centurione as marquis in 1543.⁶⁴⁹

The additional act of appointing Costantin Gentil as representative of the family firm at the royal court in Brussels reflects the fact that Centurione not only entrusted his complaints to the Hispanic ambassador, which would be forwarded to the monarch, but he also he needed someone able to discuss such matters at the royal court and who was personally committed to the family agenda. Costantin Gentil's experience in the regent's and royal courts in Valladolid and Brussels plus his marriage to a niece of Adam Centurione meant he was the best option to defend the family's interests.

These two actions, the use of an institutional link with the Hispanic ambassador and the appointment of a family agent to represent the firm before the sovereign, reveal a double negotiation. Whereas the former passed through the official channels of communications, the latter was more personal and private. However, both complemented the legation that the republican government sent to Brussels in that period. The Dux (political head of the Genoese state) and the council of Genoa (*Signoria*), having heard many complaints from people in Genoa, sent Juan Bautista Lomelin to represent the community in the Habsburg Low Countries before Philip II.⁶⁵⁰ In this regard, it is important to note that the Centurione family sent their personal delegate alongside the official delegate of the Republic. This decision reflects the fact that private agendas mattered much more than a sense of community. Once again Genoese lenders did not necessarily work in a permanent coalition.

Notwithstanding the private interests of the Centurione family in the legation of Costantin Gentil at the royal court, the role of their representative also acquired a public dimension in late March. Gentil had departed for the Habsburg Low Countries shortly after signing the *asiento* with the *factor general* at the regent's court in Valladolid on 8th

⁶⁴⁹ Pulido Bueno, *La familia genovesa Centurión*, 116.

⁶⁵⁰ Probably Giovanni Battista Lomellini or Giambattista Lomellini in the original Italian. The details about the legation in Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 79', Letter, (18 July 1557). The Genoese ambassador was still in Brussels in November that year complaining openly about the king's behaviour. Several times this diplomat called the monarch Nero and tyrant before other lords and ambassadors, which shows the dissatisfaction with the king at that time. See Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1080', Letter, (13 November 1557).

March.⁶⁵¹ Once in Brussels, Gentil joined forces with Giacomo di Negro, a spokesman of the Republic who on 18th January had been instructed to defend the interests of Genoa at the royal court of Philip II, especially regarding the military situation in Corsica. Once the notification of the debt consolidation arrived in Genoa and the Centurione appointed Gentil to defend their interests in Brussels, this private entrepreneur was back at the royal court on 30th July. While di Negro waited in Brussels for new instructions from the Republic to know how to proceed, Gentil followed the sovereign to Valenciennes. After returning to Brussels on 7th August, he left the following day for Antwerp. Gentil remained in the Habsburg Low Countries until 21st November 1557, when he returned to Castile.⁶⁵² During his stay at the royal court of Philip II, two *asientos* with royal officials had an impact upon the operations of Gentil and his political family.

On 19th June, barely a week after the decree that consolidated the Hispanic royal debt, the factor Silvestre Cattaneo agreed a new *asiento* with a Centurione-Gentil company in Genoa. The date of the contract suggests that none of the lenders had yet been informed about the decree enacted in Castile.⁶⁵³ Since this deal took place in Genoa, Leonardo Gentil signed on behalf of his brother Costantino. This episode reflects the traditional strategies of financiers regarding the use of proxies, often relatives, to arrange business and their convergence with the private agendas of royal officials.

According to this deal, the Genoese company had to provide funds in two places. The first was the fair of Medina del Campo in May, where they were to hand the general factor 100,000 ducats, which was also delayed indefinitely.⁶⁵⁴ The second place was Genoa, where they promised to deliver 25,000 escudos to Silvestre Cattaneo in two instalments: 15,000 in June and the remaining 10,000 in July. The proposed reimbursement of these sums of money sheds light on the long-term agenda of the company. Silvestre Cattaneo would reimburse the principal of 100,000 ducats to the

⁶⁵¹ Italia, 'Gentile, Costantino'; Maristella Cavanna Ciappina, 'Di Negro, Giacomo', in *Dizionario Biografico Degli Italiani*, 1991, [http://www.treccani.it/enciclopedia/giacomo-di-negro_\(Dizionario-Biografico\)](http://www.treccani.it/enciclopedia/giacomo-di-negro_(Dizionario-Biografico)). Gentil's hasty departure to be in Brussels on 19th March is remarkable. The journey took him 11 days, which is not surprising if we consider that the journey of prince Philip from Corunna to Southampton in 1554 took seven days by boat. See Geoffrey Parker, *Imprudent King: A New Life of Philip II* (New Haven: Yale University Press, 2014), 45.

⁶⁵² Italia, 'Gentile, Costantino'.

⁶⁵³ Silvestre Cattaneo, 'AGS, EST, Leg. 1386, 34' (Asiento copy, Genoa, 19 June 1557).

⁶⁵⁴ The fair would take place in August of that year, but none of the participants knew this yet. See Hernández Esteve, 'Guerra, Gestión Experta y Contabilidad En La Real Hacienda', 277.

Genoese financiers in Genoa. One third (33,333 ducats) would be delivered twenty days after the Castilian fair and no later than the 1st January 1558. The remaining two thirds were to be paid either a period of six months after the fair or before 1st July 1558, depending on the celebration of the fair. Finally, it was agreed that the 25,000 golden escudos to be handed over in Genoa were to be repaid from 1st January and no later than July 1558.

The repayment schedule of this contract specified that all these instalments were intended to be in cash and there would be no debt titles, which seems to have been the only way to convince financiers to agree with the international operation. In addition, this contract was settled without any interest added, at least monetary. These two details reveal that the Centurione-Gentil alliance wanted to provide a service to the king without revealing its own intentions. They emulated the financial aid without interest that Adam Centurione had provided some years earlier to the emperor. This was, of course, a continuation of the family strategy during Philip II's early years as sovereign. However, Silvestre Cattaneo would not have consented to any *asiento* without an external order, which could be from either the king or the regency government of Castile. The order was intended to provide a last boost of liquidity to the general factor and the factor in Genoa. Therefore, while the Centurione and Gentil families tried to support the duties of Costantin Gentil and Giacomo di Negro for the recovery of past debts, the king prepared his agents for the suspension of payments and the immediate consequences of this, such as the lack of cash. In this sense, timing was crucial for the agenda of the lenders and the sovereign.

Legally, the Genoese company was obliged to provide those funds to the factors, even though they were notified about the decree of debt consolidation after its enactment. The edict, fortunately for the consortium, only affected those contracts signed by 31st December 1556. This meant that the contract of 19th June was excluded from the financial reform. Since the *factor* Cattaneo surely knew about the debt consolidation before its implementation, the fact that he had agreed to a provision of funds before the announcement of the decree results is illuminating. The actions of this medium-ranking official in pursuing his private agenda, especially for the preservation

of his new position, overlapped with Philip II's strategy to gather funds despite the shortage of credit after the suspension of payments.

The second *asiento* that affected Gentil and the Centurione was signed with a Genoese lender called Daniel Spinola, a deal already mentioned in the previous chapter, a few days after the decree. In a letter to Philip II from late July, the ambassador Figueroa stressed that the contract with Spinola had cheered the Genoese lenders because they realised that the king had not repudiated his debts but simply consolidated them.⁶⁵⁵ In effect, Spinola managed to have some of his past debts recognised together with a repayment schedule for them. In this sense, this Genoese lender opened the possibility of recovering the old debts that Gentil and the Centurione had claimed for so long. Nevertheless, the consortium was unable to arrange a similar deal in the following months. Their members still had commitments to face at the upcoming fairs of August and November. At that moment, their only hope was that their creditors would not ask them for full repayments in cash so they could avoid a declaration of bankruptcy.

Reality became bitter again for Gentil and the Centurione interests, when Aaron Grimaldo, former agent of Adam Centurione, declared bankruptcy (*rompió*) at the fair of Milan.⁶⁵⁶ This setback exemplifies how solvency and liquidity were two different things. For example, the Centurione remained solvent brokers in the sense that they could create new sources of income thanks to their good relationship with the royal administration, but they did not have the cash to pay their creditors back at that moment. It was not until early February 1558 that another representative of the Centurione consortium in Castile, Luciano Centurione, signed two *asientos* with López del Campo to send bills of exchange worth 200,000 escudos each to the Habsburg Low Countries.⁶⁵⁷ This deal brought the consortium's agenda back into financial play. Through this contract, Luciano achieved what Costantin Gentil had been aiming for since October 1556: a realistic repayment schedule of past debts in cash.⁶⁵⁸ Although this new

⁶⁵⁵ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 82-83', Letter, (21 July 1557).

⁶⁵⁶ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 85', Letter, (29 July 1557); Aaron or Aron was the agent of Adam Centurione in Milan from, at least, the mid-1540s. See Pulido Bueno, *La familia genovesa Centurión*, 115 and 120.

⁶⁵⁷ The arrangement of these two *asientos* on 1st and 2nd February has been linked to the need for funds after the loss of Calais and before the French attack in January that year. See Carlos Morales, *Felipe II*, 55.

⁶⁵⁸ The account of the interests due in 'AGS, CJH, Leg. 35, 38' (Report, n.d.).

operation benefited the consortium, other agents were undermining the reputation of Gentil before Adam Centurione. Did Gentil make the wrong choice when he decided to stand next to the king to facilitate the repayment instead of staying in Castile? This question has no single answer, especially because of the events that followed in the first days of March 1558.

4.4. A changing world: Costantin Gentil and the new financial system

Notwithstanding the actions of Luciano Centurione to recover old debts through the last deal made in February 1558, Costantin Gentil managed to obtain a great deal for his political family and the Genoese community on 3rd March at the royal court in Brussels. The Genoese financier reached a historic agreement with Philip II that radically transformed the financial system of the Hispanic Monarchy. Two major achievements should be highlighted in this contract. First, the official recognition of 1,300,000 ducats of past debts and a plan to repay them at the latest one and a half years later. This concession helped the monarch to recover his reputation before the financial community. If the repayments were executed according to schedule, liquidity would be restored to the fairs of western Europe. Second, Costantin Gentil obtained from the king the faculty of selling and transferring any payment (*libranza*) or allocation (*consignación*) contained in the *asiento* to other financiers.⁶⁵⁹ This clause helped the Centurione consortium to minimise risks through the distribution of some of these future payments among prospective investors.

This *asiento* has been studied mostly from a political point of view, but taking a social perspective of the individuals involved paints a different picture.⁶⁶⁰ Scholars agree about the fact that when Philip II accepted the conditions of this contract with Costantin Gentil, he was contradicting his own decree of June 1557 and overlapping with another *asiento* signed in Valladolid on 2nd March with Luciano Centurione that had better conditions for the monarch. His unilateral decision caused unease among his family and servants. The monarch upset the Castilian regency, which began to act on its own to

⁶⁵⁹ 'AGS, CJH, Leg. 34, 56' (Asiento copy, Brussels, 3 March 1558).

⁶⁶⁰ Although this *asiento* signified a turning point in the financial system of the Hispanic Monarchy, the discussions of it in the literature are barely one or two pages long. An in-depth investigation on this *asiento* and its details is therefore still missing. See Romano, 'Banchieri Genovesi Alla Corte Di Filippo II', 246–47; Martín, 'Un Expediente Financiero Entre 1560 y 1575', 19; Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 142; Rodríguez-Salgado, *The Changing Face of Empire*, 242–43; Carlos Morales, *Felipe II*, 56–57.

negotiate new *asientos*.⁶⁶¹ This repercussion can be analysed from a polycentric point of view. The Castilian regency became more independent and initiated bilateral communications with the royal servants abroad, notwithstanding the superior authority of the monarch. This shows the absence of centralising synergies and the agency of multiple royal officials with divergent priorities, each trying to play their own cards in the same framework of institutional conflict.

Apart from the political consequences of this deal, it also caused significant social wariness, as López del Campo mentioned in his correspondence to Francisco de Eraso.⁶⁶² The news about the *asiento* in Castile was not warmly received by the international lending community. The limited information available about the agreement generated fear for the excessive indebtedness of Philip II. According to this view, the king arranged two consecutive *asientos* on the 2nd and 3rd March, each worth 600,000 ducats, plus the bills of exchange worth 200,000 escudos agreed in February. The last time that an accumulation of capital of this magnitude had occurred was on 8th March 1557 with another *asiento* with Costantin Gentil, just before the suspension of payments. The panic that this contract generated was only smoothed by the active correspondence between Brussels and Valladolid. In turn, Philip II clarified that only the *asiento* of the 3rd of March 1558, which was amended in the following months, would be in effect.⁶⁶³

The general factor López del Campo explained how the royal institutions resolved this confusion in his correspondence of May 1558.⁶⁶⁴ First, the bills of exchange worth 200,000 escudos arranged with Luciano Centurione in February arrived in Antwerp. They were addressed to Philip II through Lope del Campo, a royal factor in Antwerp and brother of López del Campo. Gentil rushed to nullify these bills by triggering a clause in his contract with the king according to which no other *asiento* dealing with the

⁶⁶¹ Philip II nullified the *asiento* of 2nd March and also another one drafted in May with Gentil, who went to Castile to reach an agreement with the regency. See Rodríguez-Salgado, *The Changing Face of Empire*, 243–44. This conclusion about the outrage of the regency towards Philip II contrasts with the comments by López del Campo about the unanimous support for the king's decisions in the Council of Finances. See Fernán López del Campo to Francisco de Eraso, 'AGS, EST, Leg. 129, 295', Letter, (5 April 1558).

⁶⁶² Fernán López del Campo to Francisco de Eraso, 'AGS, EST, Leg. 129, 295'.

⁶⁶³ There is a historiographical discrepancy about which *asiento* was finally enforced. Salgado argues that only the *asiento* signed on 3rd March was valid, whereas Morales observed that a new deal replaced the previous ones in the end of May. Cf. Rodríguez-Salgado, *The Changing Face of Empire*, 243; Carlos Morales, *Felipe II*, 57.

⁶⁶⁴ Fernán López del Campo, 'AGS, EST, Leg. 129, 232' (Memorandum, May 1558); Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 234', Letter, (24 May 1558).

consortium's old debts and signed before that of 3rd March was valid. However, the monarch was in urgent need of funds to pay his troops in Flanders and especially those in Italy, which were garrisoned in Milan without the possibility of discharge because of the disbursement that it would require. Therefore, Philip II avoided the litigation that would result from breaching the clause of the *asiento* with Gentil and instead again arranged a new one with the lender on 9th March for 600,000 escudos.⁶⁶⁵

In the new contract, most of the clauses from the deal of 3rd March remained untouched. The major concern in the new text was the bills of exchange that Luciano Centurione had sent via Genova to Brussels and their reimbursement. Gentil now accepted these letters, which became the first two obligations for payment (1st May and June) of the *asiento* of 3rd March. The remaining 400,000 escudos was to be paid on the first days of July, August, September, and October. In order to pay these bills of exchange back, Philip II decided that the 200,000 ducats already handed to Luciano in Castile in exchange for his bills would be used for part of the payment of the new *asiento*.⁶⁶⁶ In sum, the monarch combined the deals of 1st February and 3rd March 1558 into a new deal that granted him even more liquidity in the short-term.

Notwithstanding these details about obligations and repayments, the core of the deals lay in the recovery of the old debts owed to the consortium. With the new deal of 9th March, the 66,666 ducats of old debts agreed in the *asiento* with Luciano Centurione on 1st February were also modified. If in the meantime Luciano divided a share of his 66,666 ducats among third parties, then López del Campo had orders to pay them up to 25,000 ducats. The Centurione consortium was excluded from this as they obtained the full recognition of their old debts, which amounted to 1.3 million ducats.

This combined *asiento* was the result of sixteen months of lengthy negotiations between the sovereign and Gentil since the Genoese broker left Castile in October 1556. During this time, the financier obtained a first recognition of old debts on 8th March

⁶⁶⁵ A copy of the *asiento* with Luciano Centurion for the exchange of 200,000 escudos in Flanders in 'AGS, CJH, Leg. 34, 63' (*Asiento* copy, 2 February 1558). The copy of the *asientos* signed on 3rd and 9th March with Costantin Gentil in Brussels in Philip II, 'AGS, CJH, Leg. 34, 55' (Memorandum, Brussels, March 1558).

⁶⁶⁶ In the *asiento* of 1st February, Luciano secured that every ducat of reimbursement would be worth 405 maravedis rather than the usual 375. With the new contract enforcing a value per ducat of 375 maravedis, the profit that Luciano gained on the price of the money dissipated.

1557.⁶⁶⁷ Unfortunately for him and his consortium, this was ultimately cancelled due to the suspension of payments.⁶⁶⁸ The terms of the new *asiento* were indeed similar to those of the fruitless contract of March 1557, the proposal of December 1557, and even the *asiento* signed in Castile on 2nd March 1558 with Luciano Centurione.⁶⁶⁹ The structure of the deal reveals a hierarchy of priorities.

The old debts, as could not be otherwise, occupied the first part of the contract. The total sum had increased to 1.3 million ducats since October 1556, which was a considerable amount given that the war was not yet over, and Philip II repeatedly insisted on his lack of liquidity and allocations to keep borrowing. If the previous *asientos* mentioned in this work are compared with the deal of 3rd March 1558, how could Philip II afford to pay back such a huge sum of cash? The shortest answer would be either by using the money of other lenders or enacting new economic policies. A more elaborate analysis establishes a three-step schedule of payments.

The largest share of the four elements, 42.3% of the debt, was covered with the profits from selling the *encomienda* of Estepa. This administrative demarcation included the homonymous town and the surrounding Sevillian villages of Pedrera, La Roda, Gilena, and Miragenil (modern Puente Gentil).⁶⁷⁰ Since Ferdinand II of Aragon had become grand master of the Hispanic military-religious orders in the late fifteenth century, the orders had been progressively dispossessed of their economic resources. The turning point in this transfer took place in 1523 with the Papal bull *Dum Intra*, which gave emperor Charles V total control of these institutions and their territories.⁶⁷¹

Bearing in mind this long-term process, the sale of the *encomienda* of Estepa was negotiated with the Count of Ureña in March 1558. Its value was estimated at approximately 550,000 ducats. Nevertheless, the Council of Finances in Castile kept the

⁶⁶⁷ See the section 'When war knocks on your door' in this chapter.

⁶⁶⁸ Philip II, 'AGS, CJH, Leg. 34, 55'.

⁶⁶⁹ The *asiento* of 9th March does not repeat all the terms contained in that of 3rd March but just states that they remained untouched: [And everything else agreed with the already mentioned Costantin Gentil contained in the aforementioned *asiento*...is neither altered nor innovated...]. See *ibid.*, 34.

⁶⁷⁰ Luis de Salazar y Castro, 'ARAH: Fondo Salazar y Castro. 9/295, Fº 79 v. Genealogical News about the House of the Marquesses of Estepa' 1734.

⁶⁷¹ Hector Linares González, 'La historiografía económica de encomiendas de las órdenes militares de Castilla durante los siglos XVI y XVII. Un balance bibliográfico (1975-2017)', *Historiografías: revista de historia y teoría*, no. 14 (2017): 109.

sale open to possible buyers because its ministers wanted to provide a much more accurate appraisal. Gentil even offered 30,000 ducats to speed up the negotiations, which emphasises the importance of this clause in the contract. Indeed, it covered almost half the old debts owed to the consortium. Hence, investing some money to ensure a quicker reimbursement rather than waiting another year for the alternative payment that Philip II offered to the consortium was a legitimate tactic.

Although Gentil and Philip II agreed to wait until July 1558 for a buyer of the *encomienda*, if the sale never came to an end the monarch would make the payment to the consortium in three ways: 250,000 ducats in *juros* at 7.14% interest rate; 100,000 ducats in *juros* at 5%; plus 200,000 ducats charged to the general factor at the fairs of 1558 and 1559. For the last payment, there were four instalments: 60,000 (October 1558 fair), 30,000 (1559 Villalón fair), 50,000 (May 1559 fair) and 60,000 (October 1559 fair).⁶⁷² There was, nonetheless, a penalty if the *encomienda* was not sold on time. Philip II was to incur an annual interest of 9% on the estimated price of 550,000 ducats from 1st January 1558, which makes 2,750 ducats per month.

The initial recognition of 1.3 million ducats of old debts – later increased to 1.4 million on 1st May 1558 and finally estimated at 1.3 million ducats on 5th October 1560 – obliged the monarch to seek new extraordinary incomes to reimburse this part of the deal, especially when the sale of the *encomienda* of Estepa failed and the consortium reclaimed their *juros*.⁶⁷³ However, in the second half of 1559, the *encomienda* was finally sold to Adam Centurione.⁶⁷⁴ The acquisition of the territory with the status of marquisate reinforced the landed properties of the Centurione in the Republic and set firm foot on Castilian soil, thus accomplishing another long-term goal of the family.⁶⁷⁵ In this sense, Gentil participated in the state consolidation of the early modern Hispanic

⁶⁷² 'AGS, CJH, Leg. 34, 56'.

⁶⁷³ For the increase of the old debts, see Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 234'. On the final estimate of 1.3 million ducats, see 'AGS, DGT, Inv. 24, 1458' n.d., secs 29–34. For the decision not to take Estepa, see Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 221', Letter, (31 July 1558).

⁶⁷⁴ A descendant of Adam Centurione registered this event in a memorandum to highlight the long-term service of the Centurione to the Hispanic Monarchy. See Juan Baños de Velasco y Acebedo, *Memorial de la calidad y servicios de don Cecilio Francisco Buenaventura Centurion Cordova Mendoza Carrillo y Albornoz, Marques de Estepa y Almuña ...* (Universidad de Sevilla, 1679), <http://archive.org/details/A11214509>.

⁶⁷⁵ Once acquired, Adam Centurione transferred the rights of the marquisate to his son Marcos Centurione, who followed in his father's footsteps with a military career in the service of the Hispanic Monarchy. See Pulido Bueno, *La familia genovesa Centurión*, 146.

Monarchy by forwarding funds and facilitating the convergence of the private agenda of his patron Adam Centurione with that of Philip II.

Back to the reimbursement plan, another 23% of the old debts (300,000 ducats) was allocated on the benefits of the *Casa de la Contratación* of Seville. Part of this sum was reduced to a half according to the amendments of 9th March. These funds, nonetheless, were what remained from the fleet of the Indies after it had arrived in Seville in September 1557. The funds were still waiting in Seville instead of having been sent to the Habsburg Low Countries sometime in the previous months because the navy docked in Laredo suffered from bad weather and an endless mustering of troops were embarking for the northern front.⁶⁷⁶ This delivery of money to Philip II was already late by the time of the *asiento* of 3rd March 1558 with Gentil, something that complicated the work of López del Campo in the performance of his duties. In other words, the *factor general* worried about the scarcity of available funds to service any new requirement from the king or the Castilian regency, something that endangered his position in the royal household.

The remaining 35% of old debts (450,000 ducats) was split into *juros* and cash. First, Philip II promised 250,000 ducats in *juros* with 7.14% interest to be charged from 1st January 1558. The other 200,000 ducats were to be paid at the fairs of October 1558 and Villalón, May and October 1559 with an additional 6% annual interest. If the sale of the *encomienda* of Estepa failed, the resulting payments at these fairs would have to converge (see table 2).

⁶⁷⁶ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 292'; Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 294', Letter, (25 January 1558).

	Fair of October 1558	Fair of Villalón 1559	Fair of May 1559	Fair of October 1559
If Estepa was not sold	60,000	30,000	50,000	60,000
200,000 ducats agreed in cash (from a sum of 450,000)	60,000	30,000	50,000	60,000
TOTAL	120,000	60,000	100,000	120,000

Table 2: Payments in the Castilian fairs according to the *asiento* of 3rd March 1558 with Costantin Gentil and company. Source: AGS, CJH, 34, 56.

Once all the repayments of the old debts were agreed, the *asiento* continued with the services that Costantin Gentil and the Centurione family offered to the king. The consortium promised to pay 600,000 escudos in Antwerp following a six-month instalment plan, 100,000 escudos per month between May and October 1558, which changed on 9th March when the bills of exchange of Luciano Centurione were used as the first two payments. In fact, this section of the contract does not differ too much from other *asientos*, stressing the timing of payments to make sure that the lenders knew when the monarch should have liquidity. However, the contract was full of special clauses that reveal how needy the consortium was and how the monarch configured the early stages of the new financial system.

The first clause, for example, forbade the use of bills of exchange to make the payments in Antwerp. Instead, the monarch preferred liquidity rather than solvent promises of future payments. This assured Philip II a continuous and trustworthy flow of money that he could use to secure new deals with other financiers or promise payments to his armies. Nonetheless, the sovereign reserved for himself the right to request advances of these payments before their due date. In that case, the consortium could issue bills of exchange through its delegates.

This option enabled the monarch to forward financial instruments to third parties by committing not himself but the consortium instead.⁶⁷⁷ Even worse, this method allowed Philip II to off-load any liability in case of failed payments due to, for example, the bankruptcy of the consortium. In that case, whoever accepted the bill of exchange that the Genoese company advanced would have to deal with the consortium directly, while the king and his reputation remained safe. This clause was, obviously, greatly advantageous for Philip II.

Although the amount of the credit was agreed in escudos, the monarch committed to repaying it in maravedis in Castile with the supervision of López del Campo. Accountants in Castile used two different currencies in their books, though the hard currency most used was neither of those. These accounting currencies were maravedis and ducats, while the most common hard currency was the silver *real*, worth 34 maravedis each. According to the *asiento*, the refund of the 600,000 escudos had to be done at a ratio of 405 maravedis per each escudo. This ratio was common in currency exchanges in early modern times. Following this exchange rate, the general factor had to pay Gentil 648,000 ducats.⁶⁷⁸

The Genoese financier obtained – the risks involved in the payments in Antwerp aside – good results with this agreement as the monarch had agreed to recognise the debt of 1.3 million ducats. Equally important was Philip II's decision to help the consortium even further. He authorised the freeing of two allocations that Gentil had frozen in Castile after the decree: 70,000 ducats from the *servicio* of 1558 and 27,000 more from the revenues of mines in 1557. Other Genoese financiers, however, were less fortunate.

Such was the case with Luciano Centurione and Ambrosio de Negro, who were part of the consortium and obtained harsher conditions for their rejected deal of 2nd March 1558 with López del Campo in Castile. The general factor offered to repay the deal at a ratio of 375 maravedis per escudo instead of 405 – 7.4% lower than the

⁶⁷⁷ 'y si les pidiéremos sus letras para que sobre ellas se pueda anticipar el dicho dinero, las darán para que se cumplan a los dichos tiempos y términos según son obligados' (and if we would ask them for their bills of exchange to advance their funds against them, they will issue them to fit with their timing and terms according to their obligations'. See 'AGS, CJH, Leg. 34, 56'.

⁶⁷⁸ An escudo was 405 maravedis, 600,000 escudos were 243,000,000 maravedis, and 243,000,000 maravedis were 648,000 ducats.

exchange rate that Gentil received in the Habsburg Low Countries. In fact, Centurione and de Negro received just 200,000 ducats of old debts, an insignificant sum of money if compared to the 1,300,000 ducats that Gentile achieved.⁶⁷⁹ In other words, while Centurione and de Negro had to invest 3 ducats to recover 1 ducat of old debts, Gentil needed just 0.50 ducats to recover 1 ducat of old debts (see table 3). These differences reveal the separate agendas of the king and the general factor. López del Campo, now in close collaboration with the Council of Finances, preferred not to grant high sums of old debts to force financiers to keep lending. By contrast, Philip II, desperately in need of new funds and aware of the fact that the fleet from Laredo with 800,000 ducats was still docked in Castile, had no other choice than to negotiate contracts offering higher concessions.

Lenders	<i>Ambrosio de Negro and Luciano Centurione (2nd March 1558)</i>	<i>Costantin Gentil and the Centurione (3rd March 1558)</i>
Principal	600,000 escudos of 375 maravedis	600,000 escudos of 405 maravedis
<i>Repayment of principal (in ducats)</i>	600,000	648,000
<i>Amount of old debts recognised (in ducats)</i>	200,000	1,300,000
<i>Cost per every ducat of old debts (in ducats)</i>	3	0.50

Table 3: Differences between contracts. Sources: AGS, CJH, 35, 38 and Morales (2008), 70.

Considering the differences in the bargaining capacity of the old debts and recalling the *asiento* signed in Brussels on 3rd March 1558 with Gentil, the conditions stated two payments for the remission of the principal. The first promised 300,000 escudos in silver *reales* by the end of July 1558. This payment could be made in either Valladolid, Medina del Campo, Seville or Toledo, whichever pleased the general factor more. It is noteworthy that this part of the repayment could be split into instalments without a fixed additional interest. The second payment of 300,000 escudos was scheduled for the fair of May 1558 and could be divided into pre-approved instalments of 150,000 escudos to be paid at the October 1558 fair, 75,000 escudos to be paid at the

⁶⁷⁹ A copy of that *asiento* in Gerónimo Pardo Orense, 'AGS, CJH, Leg. 34, 64' (*Asiento* copy, Valladolid, 3 February 1558).

Villalón fair in 1559, and 75,000 escudos to be paid at the May 1559 fair. A 12% annual interest rate would be charged in that case, starting on 11th July 1558.

The key element of this reimbursement was that at least 300,000 escudos (324,000 ducats) could be paid during the fair of May 1558, unless López del Campo decided to split the payment as mentioned before. The fairs had been experiencing constant delays for at least two years, Costantin Gentil was aware of the risks and the possibility of further delays to the promised payment. Indeed, the fair of May 1558 took place in December of that year, although it was planned to begin on 11th June.⁶⁸⁰ As a result of this economic policy, the Centurione consortium had to advance money to the king before they could see a silver *real*. It was a risky operation for the financiers, especially bearing in mind their alleged lack of liquidity since the end of 1556, as seen in their correspondence with the royal servants. ‘Mysteriously’, they obtained enough liquidity to arrange the contract with the monarch. It is still unknown whether the consortium was investing future or current liquidity in this deal. They might have had no money at the time but the *asiento* served to attract new creditors and thus obtain the necessary liquidity to make the first payments in Antwerp.

To make the consortium more attractive for investors, Philip II granted a license for the export of 624,000 Castilian ducats from the kingdom. Of this amount, 300,000 ducats came from the *Casa de la Contratación* in Seville, promised as part of the repayment of old debts. The other 324,000 came from the repayment of the principal, expected to be paid in cash by the end of July 1558. The destination of these 624,000 ducats was either Genoa or Flanders, whatever suited the consortium best. In any case, the arrival of bullion would reinforce the credibility of Gentil and the Centurione, as had happened a year earlier when the galleys from Barcelona arrived in Genoa just in time.⁶⁸¹ The inflow of precious metal was a public and visual symbol that helped the king recover his own reputation as a solvent borrower. Nevertheless, López del Campo disagreed

⁶⁸⁰ Carlos Álvarez Nogal and Christophe Chamley, ‘Philip II against the Cortes and the Credit Freeze of 1575-1577’, *Revista de Historia Económica - Journal of Iberian and Latin American Economic History* 34, no. 3 (2016): 381. On the hope that the fair would be celebrated in June see ‘AGS, CJH, Leg. 34, 54’ (Valladolid, 5 October 1558).

⁶⁸¹ See chapter 2.

with these solutions as he had advised against the exportation of bullion in his correspondence to the king since 1st February 1557.⁶⁸²

Finally, the main beneficiary of the *asiento* was Philip II. Sooner or later, the monarch had to repay his old debts if he wanted to keep borrowing in the future. Surprisingly, he began to pay them back at the expense of increasing the costs of financing his enterprises. A quick comparison between the *asientos* that Gentil arranged with Philip II on 8th March 1557 and that on 3rd March 1558 show how the conditions became better for the lender. Whereas the king promised 1,150,000 ducats of old debts for a principal of 800,000 ducats in the first agreement, the old debts that were recognised increased to 1,300,000 ducats in exchange for 600,000 ducats of principal in the second contract. Hence, there is a ratio of 0.69 ducats of principal per ducat of old debts in the former and 0.46 ducats in the latter.

In other words, Gentil managed to reduce the price of recovering old debts from 1557 to 1558 by a welcome 33%.⁶⁸³ In this sense, the *asiento* of March 1558 was a great victory for the consortium, which found in the extreme royal necessities and the issuance of *juros* the solution to the credit freeze. The contract with Gentil and the consortium was, therefore, so important that the king sent three copies of this manuscript to the regent Joanna through different channels to avoid it being intercepted by French agents.⁶⁸⁴

Nonetheless, the regency government and López del Campo immediately panicked when news of this *asiento* began to arrive in Castile, though Lopez del Campo was still waiting for a copy of the *asiento* signed on 3rd March 1558 on 5th April 1558. The general factor feigned that he was solvent with the financiers who knocked on his door, to avoid the spread of distrust, which could increase the cost of future funding.

⁶⁸² Ibidem and Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 62'.

⁶⁸³ In the calculation used here, the principal is divided by the old debts to show how much money the lenders should channel to obtain a ducat of old debts. Variables of different circumstances and timing have been considered, though the two years of negotiations is a single process because the *asiento* of March 1557 was never enforced.

⁶⁸⁴ Philip II, 'AGS, CJH, Leg. 34, 53' (*Asiento* copy, Brussels, 3 March 1558); Philip II, 'AGS, CJH, Leg. 34, 55'; 'AGS, CJH, Leg. 34, 56'.

Meanwhile, he felt that the contract made in Brussels was impossible to fulfil, unless the king granted the general factor additional incomes and the right to manage new taxes.⁶⁸⁵

On 5th April 1558, regent Joanna wrote to Philip II, having learned about the deal that the monarch had unilaterally signed with Costantin Gentil.⁶⁸⁶ It is noteworthy that the missive from the king to the regent arrived through the common mailing service, which turned out to be more efficient than that of the king. The representatives of Adam Centurione in Castile not only handed the letter from Philip II to princess Joanna but also warned her about the deal signed in Brussels. However, this was not the regent's only source of information. Juan López Gallo, the royal factor in the Habsburg Low Countries, also wrote to her about the deal. Although Joanna had these channels of communication at her disposal and was in correspondence with the sovereign, no copy of the contract had arrived in Castile yet. This informal communication sufficed for the regency government to elaborate a draft of the main terms of the *asiento* with Costantin Gentil and the subsequent problems that it would generate.

According to Joanna of Austria, Adam Centurione had agreed to service the two *asientos* signed with Luciano Centurione (2nd March) and Costantin Gentil (3rd March) at 600,000 escudos each. Their biggest problem was not related to the old debts, as they would keep the 1,300,000 ducats arranged with Gentil, but the reimbursement of the principal. Princess Joanna warned Philip II that, even if the consortium could fulfil its liabilities, there were no allocations or special grants (*'consignaciones o arbitrios'*) available in the short term to repay the financiers. The regent was honest on this issue with Philip II: the deliveries of money should be funded, being legitimate and safe. It was evident that the monarch needed the money, but when the time for repayment came and the royal income could not service them, the consortium would have the legal right to rescind the contracts and stop their payments. In this sense, Philip II could find himself without any available funds, either of his own or from private lenders. The resulting discrediting of the royal credibility and solvency would be a matter of time, which would surely hinder him from borrowing any more money in the future.

⁶⁸⁵ Fernán López del Campo to Francisco de Eraso, 'AGS, EST, Leg. 129, 295'; Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 296', Letter, (4 May 1558).

⁶⁸⁶ Joanna of Austria to Philip II, 'AGS, EST, Leg. 129, 166', Letter, (4 May 1558).

In addition to this problem, the regent observed that the recognition of 1,300,000 ducats of the old debts was to the detriment of the monarchy's interests. She stressed that these debts were the bargaining chip that the king should hold to have access to new credits and financial services.⁶⁸⁷ Financiers were eager to recover them at any cost; hence these debts became the triggering element of the new financial system. Joanna of Austria suggested to Philip II that he use them as a threat to nullify the contract with Costantin Gentil, which she considered disadvantageous because of the excessive old debts accepted. At the end, notwithstanding the special clause by which the *asiento* with Gentil cancelled any previously arranged *asiento*, princess Joanna pointed out that these deals were actually being signed with Adam Centurione. In her opinion, the Centurione consortium was no more than a pyramid scheme that Adam Centurione governed. Even if her theory was plausible, it would still make no sense for the head of the Centurione to share the repayments with Gentil, as we have observed. The reference to Gentil as an independent recipient of the reimbursements of the *asiento* signed in Brussels, identify him as something other rather than a mere representative of the consortium.

Joanna's suggestions, therefore, were perhaps more related to a desire to delay the enforcement of the contracts rather than an attempt to describe the reality accurately. The regent would gain more time to find new sources of income and keep the old system working, which she considered safer and more advantageous for the monarchy. Indeed, she was not alone in her opinion. The Council of Finances and the State Council supported her and suggested that instead of handing the 300,000 ducats held in Seville to the consortium, it would be preferable to send them directly to the king. That decision would force a renegotiation of the *asiento* with much better conditions for the royal interests. This strategy of delaying the final approval of the contracts upset Adam Centurione, who directly blamed the royal ministers in Castile of discrediting him before the king by claiming that the Genoese financier had been deceitful.⁶⁸⁸ Such conflicts among high-ranking royal officials and private entrepreneurs

⁶⁸⁷ 'mainly because it is of key importance for what matters to Adam Centurione and the other Genoese, for whom rather than getting their reimbursements in full, it is preferable to entertain them and thus keep negotiating because these debts are collateral and security -prenda y seguridad- to hold them always pending for future services'. See *ibid*.

⁶⁸⁸ Adam Centurione to Francisco de Eraso, 'AGS, EST, Leg. 1387, 89-90', Letter, (6 November 1558).

thus complement and contrast with the view of collaboration between the latter and the medium-ranking officials examined in this chapter.

Conclusions:

This chapter has analysed the role of private entrepreneurs from outside the central administration in the process of state consolidation during a context of international conflict and financial crisis. Costantin Gentil was the first case study of this type of state-builder. His allegiance to the Centurione family, mostly based on his marriage with the niece of the family's patron, Adam Centurione, led to him promoting the private interests of this influential Genoese clan at the royal court. In this sense, the marriage strategies of the leading families of Genoa, especially after the reform of 1528 and the alliance with the Hispanic Monarchy, resulted in the convergence of the private interests of the Centurione and Gentil *alberghi* through a personal union of their major asset: their offspring.

The patronage of Adam Centurione in support of Costantin Gentil resulted in the latter's appointment as the main representative of the family firm in the Hispanic Monarchy during the 1550s, at the regent's court in Castile. His actions intermediating between the private interests of the family and the royal administration demonstrate the importance of medium-ranking royal officials for their success. The Hispanic ambassador Suárez de Figueroa in Genoa, for example, repeatedly supported the agenda of the Centurione by transmitting their message and requests to high-ranking royal officials such as regent Joanna and the sovereign. The *factores reales* López del Campo and Cattaneo also collaborated with the consortium in general, and with Costantin Gentil in Castile more specifically. Both groups of state-builders, medium-ranking officials inside the administration as well as private entrepreneurs, benefited from institutional and international military conflicts to develop their private agendas, which used to involve their families, as was also the case with the high-ranking officials analysed in the third chapter. In this regard, royal officials and financiers did not differ excessively since all pursued their own agendas.

These three groups of state-builders channelled their interests through higher authorities in the royal administration. Conflict and negotiation, therefore, were at the centre of their careers. When Philip II decreed the consolidation of his short-term debt

in April 1557, these two elements became more evident. The recognition of old royal debts, for example, was a bargaining tool that high-ranking royal officials like regent Joanna encouraged the use of in the negotiations with lending communities. The private negotiation of Costantin Gentil or the *asiento* with Daniel Spinola in the summer of 1557 illustrate that such negotiations between the royal administration and financiers were much more complex than first expected. Both cases reflect a lack of unity in the Genoese lending community, which showed itself to be more concerned about private agendas than the general wellbeing. However, the role of Gentil in helping Giacomo di Negro to defend the interests of the Republic in the Habsburg Low Countries also shows an awareness of public life and a sense of community. In this sense, private entrepreneurs had their own institutional backing when needed, something already highlighted in the first chapter of this thesis.

Apart from the relations between royal officials and private entrepreneurs, it is important to stress the positions of Costantin Gentil and Luciano Centurione inside their own organisation to be able to arrange a repayment schedule for the old debts with the royal administration. Although both financiers were representatives of the Centurione consortium, the specific clause in the *asiento* signed on 3rd March 1558 concerning the primacy of this deal before any other arranged elsewhere reveals the existence of a hierarchy in which expertise and experience were better valued than blood links. In effect, whereas Luciano was a direct relative of Adam Centurione, Costantin Gentil was his nephew-in-law. The primacy of Gentil's criteria before those of his homologue in Castile was not a matter of who made a better deal. Instead, Gentil was given greater powers than Luciano Centurione. Otherwise, the restrictive clause in the *asiento* would not have been included in the first place. In this sense, the idea of family business applied to the Centurione consortium does not necessarily mean a primacy of direct relatives in the hierarchical organisation. In other words, individual characteristics mattered more than blood in this group of state-builders.

Finally, Costantin Gentil played a meaningful role in the ongoing process of financial restructuring in the negotiations with the *factores reales*, searching for alternative sources of royal income such as the *encomienda* of Estepa, and finding a solution after the debt consolidation. His agency in arranging the *asiento* of 3rd March

and the final conditions he obtained from the royal administration were another step in resolving the financial crisis of the Hispanic Monarchy. Another Genoese financier, Nicolao de Grimaldo, is the subject of the following chapter as he signed another historic *asiento* in Castile that transformed the way of financing the monarchy and securing the interests of the Genoese lending community. His case study complements that of Costantin Gentil, although both financiers must be considered as part of the same group of state-builders: private entrepreneurs.

Chapter 5. Nicolao de Grimaldo and the stabilisation of the reform

The previous chapter analysed the relationship between Costantin Gentil and the Centurione consortium with the royal administration to illustrate how the private agendas of non-state entrepreneurs intertwined with state policies and the role they played in the state-building process. This chapter complements that analysis through the review of another case study, that of the Genoese financier Nicolao de Grimaldo, whose importance for the process of state consolidation started in May 1558. Gentil and Grimaldo participated in the construction of the early modern Hispanic Monarchy through the transformation of the royal administration's financial system into an institutional organisation based on funded debt.

Negotiation, the enforcement of contracts (*asientos*) and the protection of private property, namely old royal debts owed to the Genoese lending community, are the three pillars of this chapter. The two Genoese lenders and their respective business partners embodied informal institutions based on the values of reputation and cheat-the-cheater enforcement, examined in the first section of this dissertation. In this regard, this chapter argues that those informal institutions collaborated with formal ones, such as the *Factoría General* and local officials, to ensure the observance of the three pillars mentioned above in a large polity like the Hispanic Monarchy. In other words, the central state was unable to protect private interests unless it had the help of independent entrepreneurs organised in communities.

This conclusion is presented through four sections in this chapter. The first part introduces the reader to the origins of Nicolao de Grimaldo, who thanks to his deals in this period became 'the monarch of the Genoese' in the 1570s, until his arrival at the regent's court.⁶⁸⁹ The second section deals with the first *asiento* arranged by the *Factoría General* with this lender and its immediate consequences. The third section builds on the analysis of Grimaldo's new financial model and its long-term viability. Finally, the fourth section reviews Grimaldo's participation in the last stage of the war with France

⁶⁸⁹ On the importance of this character for the Genoese lending community see Pacini, 'Grandes Estrategias y Pequeñas Intrigas', 43.

and the following months, to emphasise his role in the financial transformation of the monarchy.

5.1. The second stage of the financial reform: the arrival of Nicolao de Grimaldo in Castile

When Philip II ordered the consolidation of his short-term debt in April 1557, royal officials estimated nearly 7.5 million ducats of debts. Nearly 5.2 million were earmarked to royal incomes to be collected between 1557 and 1560, whereas 560,000 ducats were allocated for the period 1561-1566. The remaining 1.7 million ducats had no allocation and, therefore, were a risk for the monarch's credit reputation.⁶⁹⁰ The previous chapter showed that in March-May 1558 Costantin Gentil and the Centurione family agreed a schedule with the monarch whereby he would repay the old debts he owed them, which were 1.4 million ducats in arrears, nearly 18.6% of the short-term debt Philip II owed.⁶⁹¹ Until that point, the royal administration had only paid back old debts in cash and, exceptionally, in non-transferable *juros* for the last deal with Gentil and the Centurione.

The situation changed when military conditions required the assistance of new lenders to supply further financial support for the campaigns in Italy and the Habsburg Low Countries.⁶⁹² Instead of cash, the royal administration began to offer transferable *juros* as a means of payment for old debts, a concession that renewed the interest of lenders.⁶⁹³ However, some financial groups found the new policy disadvantageous since it changed the traditional system of payments, which made their old contracts less competitive than the new deals, especially when it came to finding investors. For example, Adam Centurione complained to the chief royal secretary, Francisco de Eraso, in June 1558 that the new policy was damaging for his family interests.⁶⁹⁴ Centurione

⁶⁹⁰ Hernández Esteve collated the estimates of different scholars, whose calculations pointed to circa 7.5 million ducats of total debts. See Esteban Hernández Esteve, 'Asientos Con Mercaderes En La Financiación de La Guerra Contra Francia y La Santa Sede (1556-1559). Las Cuentas de La Factoría General de Los Reinos de España', in *Empresario y Docente. Homenaje al Dr. Rafael Muñoz Ramírez* (AECA, 2010), 108.

⁶⁹¹ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 234'.

⁶⁹² The loss of Calais in January was an important setback for the war in the North, especially because it made the invasion of the Habsburg Low Countries easier for France. See Shaw, *The Italian Wars, 1494-1559*, 273.

⁶⁹³ Carlos Morales, *Felipe II*, 57.

⁶⁹⁴ Adam Centurione to Francisco de Eraso, 'AGS, EST, Leg. 1387, 89-90'.

argued that Nicolao de Grimaldo and his business partners, the first Genoese lenders to enjoy the new policy, had obtained better conditions than his consortium for the rate of money exchange and the repayment of old debts. In this sense, Centurione encouraged Philip II to protect the private interests of his lending group, namely the old debts, as a rightful ruler should do.⁶⁹⁵ In other words, Centurione used private channels of communication rather than institutions of justice to enforce the legal protection of his financial assets.

The use of private communications was already a recurrent strategy for this financial consortium. Centurione employed a similar action when he sent Costantin Gentil to the royal court in Brussels with instructions to negotiate a private agreement of exclusion from the consolidation of royal debt in 1557.⁶⁹⁶ The repetition of this tactic by Centurione illustrates how informal institutions could interact with business partners without resorting to formal institutions, such as the Genoese government or the Castilian Royal Chancellery. The use of such institutions could be detrimental for the interests of both business partners since they could increase the transaction costs implied in the recovery of the old debts.

Traditional literature on transaction costs defines them as all costs related to human interactions that involve the economic expenses of bargaining and enforcing contracts, decisions, policies, the collection of information and, especially, the expenses for the upkeep of a legal framework that allows bargains to extend over time and space.⁶⁹⁷ In this case, the transaction costs that concerned Centurione were related to the inequality of conditions among Genoese lenders to recover old debts. The arrangement of more advantageous deals for some individuals risked the integrity of the Genoese coalition, which was based on the system of cheat-the-cheater enforcement.⁶⁹⁸ This organisational model punished those business partners in the coalition who might take advantage of their fellows. Avner Greif already found this social strategy in

⁶⁹⁵ 'Ho ben fede che per quanto tocca all'interesse mio et delle mei, che Sua Maestà li debba dare quella provisione che a un tanto et così giusto et Católico Principe si conviene [...]', see *ibid.*

⁶⁹⁶ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 78'.

⁶⁹⁷ For related definitions of transaction costs see North, 'Institutions, Transaction Costs, and the Rise of Merchant Empires', 24; Dahlman, 'The Problem of Externality', 148.

⁶⁹⁸ Drelichman and Voth, *Lending to the Borrower from Hell*, 36.

medieval informal institutions, which he linked to a mechanism of reputation based on an efficient system of correspondence that applied that coercion.⁶⁹⁹

The importance of reputation in the Genoese lending community was evident, given how Adam Centurione stressed his twenty-nine years of continued service to the Hispanic sovereigns in his letter to Eraso.⁷⁰⁰ Following Greif's conclusions, the long-term career of Centurione in the service of Charles V and Philip II had made of him a trustworthy business partner for other Genoese lenders. If other fellows like Nicolao de Grimaldo obtained better conditions in the recovery of the old royal debts, this could be detrimental for the reputation of his consortium. In other words, the new royal policy regarding the issuance of transferable *juros* could destabilise the relationships among Genoese lenders and make some of them more attractive to work with than others.

The recovery of the old royal debts was the pivotal piece around which the Genoese lending community negotiated with Philip II. The fact that Nicolao de Grimaldo was the first beneficiary of a more advantageous repayment schedule and conditions outraged Adam Centurione. Notwithstanding the important role of Grimaldo in this phase of the financial reform of the royal administration, the Genoese financier is a character whose life is surrounded by contradictory information. The large number of people with the same name in the Genoese community and the considerable number of relatives named after him in his family make this lender a difficult one to trace.⁷⁰¹

His name is quite often used for two different lenders to Emperor Charles V, yet he did not join the royal court before 1544. This detail means that Grimaldo began to participate, at least as the main lender in the loan and money exchange contracts almost forty years after Adam Centurione and ten years after Costantin Gentil.⁷⁰² As a result of

⁶⁹⁹ Greif, 'Contract Enforceability and Economic Institutions in Early Trade', 530.

⁷⁰⁰ '[...] si potrebbero dire molte raggione, ma per non dar a Vostra Signoria Illustrissima tanto travaglio, ne dirò solamente alcune, nè tacerò che in 29 anni ch'io posso dir che di continuo ho servito all'Imperatore et a Sua Maestà [...]', see Adam Centurione to Francisco de Eraso, 'AGS, EST, Leg. 1387, 89-90'.

⁷⁰¹ Calogero Farinella, 'Grimaldi, Nicolò', in *Dizionario Biografico Degli Italiani*, 2002, http://www.treccani.it/enciclopedia/nicolo-grimaldi_%28Dizionario-Biografico%29/.

⁷⁰² Alonso García, 'Genoveses En La Corte, Poder Financiero y Administracion En Tiempos de Carlos V', 256; although Adam Centurione began to serve at the Castilian court in 1505 according to Alonso García, the Genoese financier in 1558 claimed he had 29 years of continuous service, meaning that he actually entered as regular financier of the monarch in 1529 rather than in the early 1500s. See Adam Centurione to Francisco de Eraso, 'AGS, EST, Leg. 1387, 89-90'.

this progression, a generation of Genoese entrepreneurs who served the emperor between the 1530s and 1540s was responsible for enforcing the transition to the Hispanic Monarchy's new financial model in the late 1550s.

The high mobility of Gentil and Grimaldo between Castile, the Habsburg Low Countries, and Genoa demonstrates their experience in financial deals and helps to explain the multiple contacts that they had inside and outside their community. The importance of the Centurione family is reflected in the family links of these businessmen. If Gentil had joined the branch of Adam Centurion Oltramarino by marrying his niece, Nicolao de Grimaldo was the son of Bettina Centurione Becchignone, who belonged to another branch of the Centurione *albergo*, and Agustin Grimaldo.⁷⁰³

A vast experience in business with excellent contacts was required to become part of the Genoese elite that facilitated the new financial system. Nicolao de Grimaldo, who was born around 1512, dedicated his earliest steps to a commercial career alongside his half-brothers Lazaro and Paolo.⁷⁰⁴ During his youth, Grimaldo learnt the basics of finances to finally master the circulation of bills of exchange with London, Seville, Genoa, and Madrid.⁷⁰⁵ His promising career helped him to marry Giuglia Ceva, a descendant of another branch of the Centurione.⁷⁰⁶ His decision to marry a Ceva woman allowed him to enlarge his influence in the high society of the Republic of Genoa, a common strategy among its elites.⁷⁰⁷

⁷⁰³ Luis de Salazar y Castro, 'ARAH: Fondo Salazar y Castro. 9/302, Fº 209: Genealogic Tree of the Grimaldo Family' 1734; Calogero Farinella, *Dizionario Biografico Degli Italiani*, vol. 59, 84 vols (Istituto della Enciclopedia italiana, 2002).

⁷⁰⁴ A letter written by his son-in-law reveals the age of this prominent figure in Genoese history and, therefore, his date of birth. See Sinibaldo Doria to Philip II, 'AGS, CCA, DIV, 48, 13', October 1582; the letter contradicts Farinella's entry, which suggests the birth of Nicolao de Grimaldo around 1500. See Farinella, 'Grimaldi, Nicolò'.

⁷⁰⁵ Farinella, 'Grimaldi, Nicolò'; Maristella Cavanna Ciappina, 'Grimaldi, Agostino', in *Dizionario Biografico Degli Italiani*, 2002, http://www.treccani.it/enciclopedia/agostino-grimaldi_%28Dizionario-Biografico%29/.

⁷⁰⁶ Sanz Ayán, *Un banquero en el Siglo de Oro*, 46.

⁷⁰⁷ Rafael María Girón Pascual, 'Exogamia, endogamia e ilegitimidad: estrategias familiares de los mercaderes genoveses de Granada durante la Edad Moderna (ss. XVI-XVIII)', *Historia y Genealogía*, no. 3 (2013): 83–98. The Cibo or Ceva family was one of the new alberghi included in the political agreement of 1528. The rise of this family was linked to their control over the archbishopric of Genoa, an important source of funding and political influence. For further information of this family, see Sanz Ayán, *Un banquero en el Siglo de Oro*, 45.

His union with the Ceva family attracted other houses to marry their offspring to the descendants of Nicolao de Grimaldo, such as the Doria, Spinola, and Lomelin. Once these people joined the house of Grimaldo, they began to work for him in a similar way to the Gentil-Centurione consortium. Instead of being the member of the alliance who headed the contracts (e.g. Costantin Gentil, Luciano Centurione), Nicolao de Grimaldo preferred to be the only one represented in the deal, although he later used the services of relatives. Some relevant examples of family partners for the period of study were Felipe Spinola in Castile and Esteban Lomelin at the fairs of Besançon. Tomasso Ragio, an associated agent, represented Nicolao in Antwerp.⁷⁰⁸ In addition, Nicolao de Grimaldo not only employed his political sons but his half-brothers too. Lazaro and Paolo managed the Genoa-Milan axis during the financial transformation.⁷⁰⁹

All this social capital allowed Nicolao de Grimaldo to keep close contact with the main centres of power in the Hispanic Monarchy and the main financial hubs through which capital and information flowed in western Europe. That interconnection kept him informed about what affected royal finances, such as the offers the Gentil-Centurione consortium was proposing to Philip II for recovering their old debts. Logically, Grimaldo also showed his concern about obtaining his reimbursement, especially after the delay of the August fair in Besançon until September 1557.⁷¹⁰ Nicolao de Grimaldo's strategy was quite different from that of Costantin Gentil. Instead of negotiating with the king in Brussels or sending a delegate to Castile, Grimaldo resorted to a medium-ranking royal official, the *factor* in Genoa Silvestre Cattaneo, and demanded to be compensated in a different way. In this sense, Grimaldo used the same tactics as his Centurione relatives regarding the collaboration between private entrepreneurs and medium-ranking officials.

⁷⁰⁸ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 137, 276-277', Letter, (10 October 1588); most probably, Felipe Spinola did not work for Nicolao de Grimaldo until the first months of 1558 because in August 1557, he was part of a company with Tomas Spinola and Hector Doria. See Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg 1386, 61-62', Letter, (8 July 1557).

⁷⁰⁹ Silvestre Cattaneo to Philip II, 'AGS, EST, Leg. 1387, 147-148', Letter, (25 September 1557); by December of that year, Lazaro de Grimaldo seems to have been in the service of the royal factor Silvestre Cattaneo in Antwerp as an informant. See Silvestre Cattaneo to Francisco de Eraso, 'AGS, EST, Leg. 1386, 24', Letter, (12 March 1557).

⁷¹⁰ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg 1386, 61-62'.

Grimaldo negotiated a contract in the late summer of 1557 in which he promised 30,000 escudos to don Juan de Figueroa and the treasurer Nicolas Cid, royal purveyors in the defence of Milan.⁷¹¹ The Genoese lender only delivered 25,000, while the remaining 5,000 escudos were procured by the monarch as a partial reimbursement of old debts still owed to Grimaldo. These debts came from a previous deal that Philip II had arranged with Grimaldo and another Genoese financier called Angelo Juan Spinola. Through this strategy, Nicolao de Grimaldo used the debts he was owed to provide a new *asiento*. Suárez de Figueroa, the Hispanic ambassador in Genoa, explained to Philip II the legal problem that this situation generated because the officials still had to repay the entire sum of 30,000 escudos to Grimaldo.⁷¹² Silvestre Cattaneo, who managed the operation, was not allowed to decide whether it was licit or not to accept payment in old debts owed. The instructions he received from the monarch, once he took his charge, did not mention that possibility.⁷¹³ Nevertheless, the situation was adverse enough to enforce the deal.⁷¹⁴ The ambassador lamented that the contract could have been avoided if the galleys carrying money from Barcelona to Genoa had arrived on time.

The repayment of that 'mixed' *asiento* was delayed until November 1557 and it was charged to the general *factor* in Castile, López del Campo, making him an accomplice to this technically illegal contract.⁷¹⁵ Nicolao de Grimaldo and Silvestre Cattaneo agreed that the 30,000 escudos would equal 32,000 Castilian ducats and that the final reimbursement, including interests, would total 43,000 ducats.⁷¹⁶ This means that 11,000 ducats were the interest charged for this operation, which results in a 34.375% interest rate on the principal valued at 32,000 ducats. Cattaneo, aware of the

⁷¹¹ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 60', Letter, (10 February 1557).

⁷¹² '[...] the *factor* would disagree on this because he had no commission from His Majesty to accept old debts [...]', in *ibid*.

⁷¹³ Cattaneo was appointed royal *factor* in December 1556. See Federico Badoer to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 760', Letter, (13 December 1556).

⁷¹⁴ The French fortress of Saint Quintin, a geostrategic location within French territory and close to Paris, was taken by Hispanic troops on 27th August 1557. Henry II of France mobilised his entire kingdom before the threat to Paris. Once the new border was fortified, the French monarch launched a counter-offensive on all fronts, including Piedmont, which considerably reduced the funds available in the Hispanic Monarchy. More details in chapter 3 and Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1004', Letter, (28 August 1557); Giacomo Soranzo to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1055', Letter, (10 April 1557).

⁷¹⁵ Silvestre Cattaneo to Philip II, 'AGS, EST, Leg. 1387, 152', Letter, (13 November 1557).

⁷¹⁶ 'I ordered in Spain that for the 32,000 ducats, I must receive 43,000 ducats of which Your Majesty might issue to me a bill of exchange charged against the *factor* (*general*) López del Campo' in *ibid*.

exceptionality of this operation and with an eye on his own career and agenda, explained in his letter to Philip II how deeply indebted he was and the reasons that led him to accept this apparently disadvantageous deal. The behaviour of this medium-ranking official is identical to that of López del Campo observed in the second chapter of this dissertation.

Notwithstanding the profits that the Genoese financier earned from this *asiento* with the Italian royal officials, Nicolao de Grimaldo only obtained 5,333 ducats of old debts. If compared to the debts recognised by the monarch through an *asiento* with Costantin Gentil on 3rd March 1557, which were estimated at 1.15 million ducats, the sum promised to Grimaldo was irrelevant. Although the deals made by Gentil and Grimaldo were eight months apart, the debts owed to Gentil and his consortium were still due, notwithstanding the consolidation of short-term debt enforced between April and June. In other words, both financiers had the same goal: the recovery of past debts. The decree of debt consolidation, however, had distorted the financial market and the reimbursement promised to Grimaldo in Castile encountered many difficulties.

Although Silvestre Cattaneo asked the king to forward the orders of payment for the deal with Grimaldo to López del Campo and the Council of Finances in Castile, the general *factor* reported worrying news to Philip II in December 1557. The Castilian *factor* wrote that he only accepted bills of exchange from Silvestre Cattaneo valued at 20,000 ducats for the fair of October 1557 in Medina del Campo, which was finally celebrated in January 1558.⁷¹⁷ Hence, it seems unlikely that the Council of Finances accepted all these bills of exchange from Silvestre Cattaneo because of the simultaneous requests of money from Philip II. The royal ministers were collecting as many funds as they could to send them to Philip II through the navy docked in Laredo, which meant a minimisation of the payments charged to the Castilian estate.⁷¹⁸ As a result of the divergent agendas of Cattaneo and López del Campo, when the general *factor* attended the fair of Medina del Campo he did not have enough liquidity to service the debts Silvestre Cattaneo had forwarded to him.

⁷¹⁷ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 291'.

⁷¹⁸ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 294'.

The royal *factor* in Genoa found himself with no credibility before Nicolao de Grimaldo after the failed fair of January 1558 in Castile. Once again, royal representatives had had to adapt themselves to the circumstances and worked independently from the monarch and his central institutions. This example illustrates a lack of collaboration, which was inherent to the financial system of the monarchy. The involvement of many agents and institutions hindered any successful outcome, especially if their shared operations were international. Therefore, Grimaldo already knew about the rejected bill of exchange in Castile by February 1558, which encouraged him to change his strategy regarding the recovery of old debts.

The failure of Silvestre Cattaneo made him useless to any Genoese financier who wanted to recover the royal debts consolidated in the decree of June 1557. If Grimaldo wanted to recover them more easily, he had to move to another node of the monarchy with greater decision-making power. The news about the recognition of 66,666 ducats from old debts, which Luciano Centurione arranged in Castile on 1st February 1558, may have triggered Nicolao de Grimaldo's final decision to move to Castile.⁷¹⁹ His choice to move to Castile, rather than Brussels, indicates where the Genoese lender thought the actual centre of power was. The independent decisions the regent government carried out in the *asiento* of 2nd March 1558, already mentioned in the previous chapter, proved to Grimaldo that he was not mistaken.

The Genoese financier found on his arrival a regency in conflict with Philip II and a sceptical community of lenders. The ability of the monarch to repay his debts was in doubt, especially after the deals with the Gentil-Centurione consortium and the taking of Calais by French forces.⁷²⁰ Simultaneously, the triangular system of the *Factoría General* gave an impression of dysfunction because of the competition among *factores reales*, which encouraged López del Campo to suggest the centralisation of the institution around him.⁷²¹ This political, military, and financial instability prompted

⁷¹⁹ A last letter written from Genoa to the Duke of Florence confirms this detail. See Nicolao de Grimaldo to Cosimo I of Medici, 'ASF, MP, Filze 477, Doc. 282', Letter, (20 February 1558).

⁷²⁰ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 292', Letter, (2 February 1558). On the loss of Calais in January 1558 see Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1129', Letter, (8 January 1558).

⁷²¹ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 220'; Fernán López del Campo to Francisco de Eraso, 'AGS, EST, Leg. 129, 295'.

widespread distrust towards the reputation of Philip II, which López del Campo acknowledged when he wrote to the monarch on 24th May 1558.⁷²²

The numerous contradictions and modifications regarding the last *asiento* with the Gentil-Centurione consortium of March 1558, which finally recognised 1,400,000 ducats of old debts, hampered any new deal until 22nd May. On that day, the general *factor* signed a great *asiento* valued at one million ducats with Nicolao de Grimaldo. This contract was a point of no return in the financial transformation of the Hispanic Monarchy because of two main characteristics. First, it provided the largest amount of money that anyone had mobilised for the king since the suspension of payments in June 1557. Second, unlike the *asiento* signed with the Gentil-Centurione consortium, which reimbursed old debts both in cash and in non-transferable *juros*, the deal with Grimaldo reimbursed his share of old debts entirely in *juros al quitar* that could be sold to third parties.

5.2. The recovery of the old debts: a new *asiento* with Nicolao de Grimaldo and the importance of distributing investments

The *asiento* has been the object of several studies since the 1940s, when the Italian historian Ruggiero Romano mentioned it for the first time to illustrate the advantageous conditions that the Genoese businessmen enjoyed for their services.⁷²³ Since then, multiple authors have examined it from different perspectives. In the late 1960s, Ruiz Martín emphasised the role of the *asiento* in the transformation of the *juros* at 5% interest, which the princess regent Joanna had decreed in June 1557, into new ones with higher rates.⁷²⁴ Twenty years later, the focus moved to the military and political meaning of this contract.⁷²⁵ From these works we now know that in April 1558, royal accountants estimated a deficit of approximately one million ducats in the annual balance of royal incomes and expenses.

⁷²² Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 234'.

⁷²³ Romano seems to have mistaken the date of the contract as he claims it was signed on the 12th May, while various sources confirm it was agreed ten days later. See a copy of the *asiento* Fernán López del Campo, 'AGS, EST, Leg. 129, 233' 22 May 1558; Romano, 'Banchieri Genovesi Alla Corte Di Filippo II', 243.

⁷²⁴ Ruiz Martín, 'Las finanzas españolas durante el reinado de Felipe II (alternancias de participación que se ofrecieron para Francia)', 116–17.

⁷²⁵ Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 143–45.

The financial shortfall forced royal officials to find a solution to avoid a new financial shock that could freeze the military machinery deployed in Europe. The excessive expenses and ‘*unrestrained borrowing*’ of Philip II from his court in the Habsburg Low Countries outraged the regency government in Castile, which refused any responsibility for the new deals and their consequences.⁷²⁶ The political position of the regency was the response to the convergent agenda of the monarch and the Genoese financiers. Nevertheless, recent investigations have placed the contract within a larger framework in the analysis of the evolution of the dynastic debt during the reign of Philip II.⁷²⁷

Although most of these works only briefly referred to this *asiento*, its significance deserves a more detailed study in which the reading of the contract goes beyond its initial terms and economic analyses. To begin with, the copy of the *asiento* mentions only Nicolao de Grimaldo as promising a financial service.⁷²⁸ However, private correspondence from Genoese lenders to the secretary Francisco de Eraso clarifies that Grimaldo was just the main lender of the contract with a share of three-quarters. In addition to him, Vicencio Imperial and Grimaldo’s political son Felipe Spinola were also party to the deal, with one-fifth each.⁷²⁹

This discovery, unnoticed in the literature, enriches our understanding of how *asientos* worked beyond the official sources issued by the central administration. More significantly, the people who warned the royal secretary were Genoese fellows of Grimaldo and his business partners. The general *factor* López del Campo, who signed the contract with Grimaldo in Valladolid, only referred to this Genoese lender in his letter to Philip II.⁷³⁰ The correspondence thus reveals that the royal administration did not know about the participation of Grimaldo’s partners in the *asiento* until Eraso reported this in early June.

⁷²⁶ Rodríguez-Salgado, *The Changing Face of Empire*, 244.

⁷²⁷ Carlos Morales, *Felipe II*, 57–58; Carlos Morales, *El Precio Del Dinero Dinástico*, 2016, 85–86.

⁷²⁸ Fernán López del Campo, ‘AGS, EST, Leg. 129, 233’; a modern transcription can be found in Carlos Morales, *El Precio Del Dinero Dinástico*, 2016, 14–16.

⁷²⁹ Nicolo Cataneo to Francisco de Eraso, ‘AGS, EST, Leg. 1387, 88’, Letter, (28 May 1558). Adam Centurione also referred to this joint contract when he wrote about this *asiento* and claimed it was ‘[...] fatto con Nicolò Grimaldo et altri [...]’. See Adam Centurione to Francisco de Eraso, ‘AGS, EST, Leg. 1387, 89-90’.

⁷³⁰ Fernán López del Campo to Philip II, ‘AGS, EST, Leg. 129, 234’.

Although the participation of other lenders may not have been important for the royal administration since the main goal was to provide a financial service, the overlooked collaboration of Grimaldo's associates has a clear effect on the analysis of Genoese financial and institutional strategies. Cataneo and Centurione could have been applying a penalty of 'cheat-the-cheater enforcement' against Grimaldo by referring to this joint venture in their letters to Eraso because Grimaldo and his partners had obtained better conditions than the rest of the community. Whereas Cataneo provided further details about the partnership, Centurione was more eager to complain about the deal because it was detrimental to his family activities. The different responses from Cataneo and Centurione draw attention to the fact that Centurione could have been trying to obtain a similar deal with the royal administration, besides imposing a penalty on Grimaldo and his partners. More research, however, is necessary regarding the role of Nicolao Cataneo since he could simply be an informant in the service of the secretary Eraso rather than an upset Genoese lender.

According to the contract, Nicolao de Grimaldo promised the delivery of one million escudos to Philip II through two shipments, which indicates the existence of a currency exchange. Grimaldo had to divide this sum between two destinations. First, the Genoese financier had to send 800,000 escudos to Antwerp in six instalments between July and December 1558, which provided Philip II's treasury with a regular inflow of 133,333 escudos per month. Second, Grimaldo was expected to provide the remaining 200,000 escudos in Genoa or Milan, to thus supply the duke of Sessa with funds in Milan.

The funds for Italy were comprised of three instalments of 66,666 escudos each month starting at the end of July and finishing on the last day of September 1558. This schedule of payments left Grimaldo with less than two months to prepare the first disbursements in both places, which included the change of currency. The contract established the delivery to Antwerp in '*escudos de a 72 gruesos*' and to Italy in '*escudos de 11 reales*'. This double financial service of delivery and exchange required a proportionate fee to be fixed in the contract.

In exchange for these services, López del Campo accepted a reimbursement of a principal valued at 400 million maravedis, at 400 maravedis per ducat.⁷³¹ The transformation of one million escudos into Castilian ducats, which were worth 375 maravedis each in reality, adjusted the real reimbursement of the principal to 1,066,666 Castilian ducats or 1,000,000 escudos. The contract organised their distribution in the following manner. The Genoese financier would receive 100,000 ducats in *juros* at 10% of interest, which could be earmarked to whichever royal income Grimaldo desired. These long-term bonds were non-transferable, and he could enjoy the annual interest until the king approved the refund of his 100,000 ducats. Therefore, Grimaldo would not find a quick source of liquidity to service his commitments with the royal administration in this clause of the contract. The following three cash reimbursements of 150,000, 250,000, and 266,666 ducats did not help him to fulfil his obligations since the *asiento* did not contain any short-term repayments.

López del Campo had to gather the money for the first payment of 150,000 ducats from the sale of jurisdictions and the administrative powers to collect taxes. If the *factor general* could not obtain enough funds to cover this payment, the *asiento* entitled Grimaldo to take them from other royal incomes. The agreement divided the 150,000 ducats into three instalments of 50,000 ducats per month, which should take place in the last days of August, October, and November 1558. The intentional delay of the reimbursement dates contrasts with the clauses agreed in the *asiento* with the Gentil-Centurione consortium, which started in July.

The second repayment of 250,000 ducats did not offer Grimaldo a prompter source of liquidity. The contract stipulated that López del Campo would pay this part of the principal with the silver shipment that was expected from America in October, once the royal mint had coined it. Reimbursements on the American fleets were uncertain because of timing and the amount that was transported. During the second half of the sixteenth century, for example, Genoese financiers rarely accepted them as contingency

⁷³¹ Therefore, the price of an escudo was set at 400 maravedis. See Fernán López del Campo, 'AGS, EST, Leg. 129, 233'; 'AGS, CJH, Leg. 34, 116' (*Asiento* copy, 1558); Carlos Morales, *Felipe II*, 58; Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 145. Centurione's letter referred to an exchange rate of 400 maravedis per escudo, which was basically the same since López del Campo artificially inflated the value of Castilian ducat from 375 to 400 maravedis with the aim of matching the sum. See Adam Centurione to Francisco de Eraso, 'AGS, EST, Leg. 1387, 89-90'.

clauses. The few who did accept them would charge a 4% premium fee on the contract to compensate for the uncertainty.⁷³² In the *asiento* with Grimaldo of May 1558, the general *factor* was entitled to advance the payment if the fleet docked earlier or to seek another source of liquidity if the fleet arrived later than October. In other words, Grimaldo accepted the risks but he could still not expect to receive the money on time to employ it for his commitments.

If uncertain incomes backed these two first cash payments (sales of privileges and the American fleet), the third one, worth 266,666 ducats, was theoretically a safer compensation. The *servicio* of 1559, an agreed contribution with the cities of Castile in the *cortes*, backed this part of the reimbursement and its general interest, which was estimated at 29,333 ducats (approx. 2.75%).⁷³³ However, that meeting had not yet concluded when Nicolao de Grimaldo and López del Campo signed the contract. The regent Joanna had summoned the representatives of the cities to a *cortes* on 21st February 1558 through a royal decree signed by Philip II. The meeting officially started on 27th April and concluded on 30th September 1558, including some temporary interruptions in order to transmit the petitions of the cities to the royal court in the Habsburg Low Countries.⁷³⁴ The general *factor* and regent Joanna trusted the *cortes* to grant that subsidy without total certainty. Nicolao de Grimaldo should have been aware of that fact when he agreed to be involved in the deal. In this sense, both lender and borrower risked their mutual obligations for a political concession from a third party, which illustrates the complexity of these operations as well as the importance of representative institutions that controlled royal expenditure.⁷³⁵

Castilian *cortes* were a traditional means to fund royal debt. Emperor Charles V, for example, would bargain the concession of *servicios* through the capitation (*encabezamiento*) of the *alcabala*, a sales tax simultaneously used to earmark new debt

⁷³² Regina Grafe, 'Mauricio Drelichman and Hans-Joachim Voth, Lending to the Borrower from Hell: Debt, Taxes and Default in the Age of Philip II', *EH.Net*, July 2014.

⁷³³ Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 467–68.

⁷³⁴ Joanna of Austria to Philip II, 'AGS, EST, Leg. 129, 50', Letter, (31 July 1558); Real Academia de la Historia, *Cortes de Los Antiguos Reinos de León y de Castilla*. (Madrid, 1903), 715. By the end of July the Cortes had been suspended, though the *factor general* wrote '*concluyeron*' (concluded). See Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 221', Letter, (31 July 1558).

⁷³⁵ Stasavage, *States of Credit*, 147.

through *juros*.⁷³⁶ Philip II and the princess regent Joanna followed the same principle for the *cortes* of 1558. The fifth petition from the cities to Philip II asked for the renewal of the general capitation at the same price.⁷³⁷ Urban representatives agreed to concede the ordinary and extraordinary *servicio* to Philip II, notwithstanding that the royal postponement of the negotiation did not guarantee the renewal in the same terms.⁷³⁸ The contribution was worth 454 million maravedis (1,210,666 ducats) and it was to be disbursed between 1558 and 1560.⁷³⁹ Every year royal officials collected a third of that extraordinary joint subsidy, which was estimated at 403,555 ducats. From the second third of the *servicio* collected in 1559, therefore, Grimaldo would receive 266,666 ducats. Chart 3 illustrates that the Genoese financier obtained 66% of that second instalment of the *servicio* and 22% of the whole sum. The acceptance of this clause involved two elements that can be applied to the strategies adopted by formal institutions to finance early modern states.

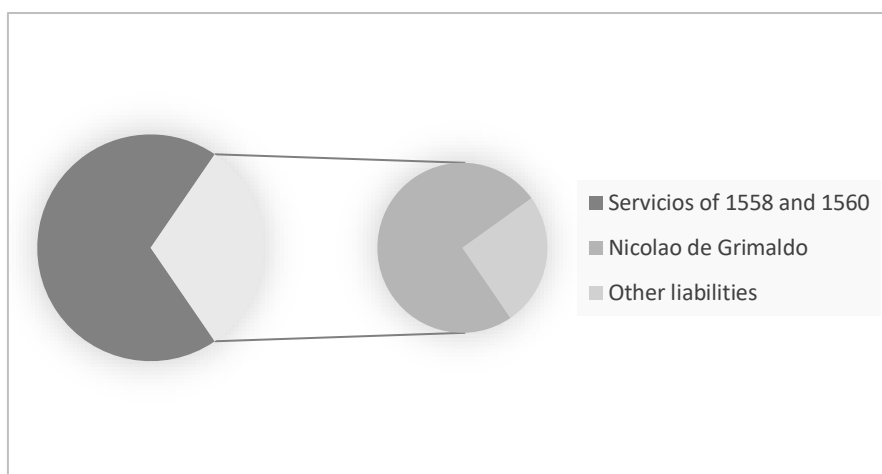


Chart 3. *Servicios* conceded for 1558-1560 (left) and its second instalment of 1559 (right) with its distribution according to the *asiento* signed with Nicolao de Grimaldo on 22nd May 1558. Sources: AGS, EST, Leg. 129, 233 and AGS, CJH, Leg. 34, 116.

First, the main goal of formal royal institutions, such as the *Factoría General*, was to service the royal needs as quickly as possible. When there was an urgent necessity, it did not matter if there was a foreseeable lack of funds because the subsidy from the

⁷³⁶ Tracy, *Emperor Charles V, Impresario of War*, 294–98.

⁷³⁷ Real Academia de la Historia, *Cortes de Los Antiguos Reinos de León y de Castilla.*, 732–33.

⁷³⁸ Miguel Artola Gallego, *La Hacienda Del Antiguo Régimen*, Alianza Universidad. Textos 42 (Madrid: Alianza: Banco de España, 1982), 62–63.

⁷³⁹ Real Academia de la Historia, *Cortes de Los Antiguos Reinos de León y de Castilla.*, 775.

cortes was uncertain. Second, royal representatives would take important decisions without the consent of Philip II and even without having all the information in their hands. This informal management followed a political agenda, which in this case was linked to the military obligations of the Hispanic Monarchy in Europe. In sum, the priority of present needs and the informal process of decision-making were a common practice in formal royal institutions at this stage of the Hispanic Monarchy.

Back to the contract, the final reimbursement of the principal was perhaps the trickiest one. It amounted to 300,000 ducats, which López del Campo had to give to Grimaldo or his agent in cash before the Genoese financier made the first payment. Once Grimaldo received these 300,000 ducats from the general *factor* as an early reimbursement, he handed it back to López del Campo on 3rd June 1558 as the first payment.⁷⁴⁰ This money immediately travelled northwards to be loaded onto the royal fleet that was docked in Laredo ready to depart for the Habsburg Low Countries, where Grimaldo's representative Tomás Fiesco Raggio waited for the money. The contract specified that these 300,000 ducats would pay part of the first instalments of July and August in Antwerp.

Although this operation of releasing the reimbursement before any payment was made might seem strange, it was all part of an elaborate plan of the general *factor* and Nicolao de Grimaldo that seems to be new to the literature on this deal. A letter that López del Campo wrote to the monarch on 24th May 1558, reporting on the *asiento* and its advantages, clarifies that the 300,000 ducats Grimaldo received as an early reimbursement were not part of the deal.⁷⁴¹ Instead, the royal official emphasised that the real operation consisted of 700,000 ducats rather than a million.⁷⁴² The logical question here is why the general *factor* and the Genoese lender agreed to arrange an *asiento* valued at a million ducats and not 700,000. Lopez del Campo also provided an answer to this query in his letter.

If the financier had not obtained this mercy, explained López del Campo, he might have declined to sign the contract and there would have been no other options

⁷⁴⁰ 'AGS, CJH, Leg. 33, 116' 9 July 1558.

⁷⁴¹ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 234'.

⁷⁴² 'and indeed, the provision of money is no more than 700,000 ducats' in *ibid*.

for helping Philip II in 1558.⁷⁴³ In other words, it seems that Grimaldo had no initial financial capacity to fulfil his contractual obligations during the first months, though he would be able to collect the rest in the short-term future. Therefore, there were no other options available for funding the military campaigns of the monarch in the Habsburg Low Countries and France. This strange operation sought to increase the reputations of the king and the businessman and, therefore, lower the transaction costs for marketing Grimaldo's operation to prospective lenders and investors. The general *factor* was very clear on this aspect of the borrowing process. Besides the high value of this contract, its arrangement with one of the most prominent Genoese businessmen would doubtlessly draw the attention of other lenders to deal with more convenient conditions for the monarch.⁷⁴⁴

As a result of this, Philip II showed himself to be a quick payer as well as a solvent borrower still able to seal larger deals than usual. By contrast, Nicolao de Grimaldo presented his first operation in Castile as evidence of his financial resourcefulness and his position as one of the main lenders to the sovereign. The simulation of royal and private solvency undoubtedly sought to attract capital and accelerate the flow of credit and its result was a complete success. The news of the *asiento* signed on 22nd May rapidly spread around the main centres of power, as has been mentioned before in the letters sent by Cataneo and Centurione. This flow of information seems to have helped Nicolao de Grimaldo to collect almost all the money he needed to pay in Flanders in less than two months. Between the 6th of June and 20th July, Grimaldo handed nearly 514,034 escudos out of 800,000 to the general *factor* in Castile.⁷⁴⁵

An international group of German, Castilian, and Genoese brokers were the receivers of the remaining 285,965 escudos, which were to be disbursed between October and December.⁷⁴⁶ These beneficiaries were representatives of the Fugger family

⁷⁴³ 'that if it were not by this means, Your Majesty could not use them for the war of this year. This is the reason that explains all the conveniences of paying him his old debts and giving him higher interest than that charged in previous *asientos*' in *ibid*.

⁷⁴⁴ '[...] and it seemed to me so good the fact of obtaining a great reputation for borrowing and negotiating because of this large-scale *asiento*, its timing, and because the person has a great reputation among the Genoese community that they will think that from now onwards, they can negotiate much better [...]' in *ibid*.

⁷⁴⁵ 'AGS, CJH, Leg. 33, 116'.

⁷⁴⁶ 'AGS, CJH, Leg. 33, 14' (Accounting record, Brussels, 1558); 'AGS, CJH, Leg. 33, 16' (Accounting record, Brussels, 1558).

(Wolfgang Poschinguer and Mathias Ortel), a half-brother of Nicolao de Grimaldo (Lazaro de Grimaldo), other Genoese financiers, and some Burgos businessmen with whom Grimaldo had established contact through their compatriots.⁷⁴⁷ Bearing in mind this coalition of agents, there was no substitution of one 'national lending group' for another as traditional literature claims.⁷⁴⁸ Instead, the outcomes of this research show that Genoese capital was part of the reimbursements to German financiers. In this way, Genoese and German lending communities were interconnected and dependent on each other through their mutual obligations with the monarch. However, the main point of this operation is that the joint action of Lopez del Campo and Nicolao de Grimaldo, members of a formal and informal institution respectively, had an impact on the interest of international savers and lenders. In short, early modern finances needed the agency of informal and formal institutions to work.

The combined manoeuvre to improve the reputations of López del Campo and Grimaldo so to ease their access to credit in the short term was a complete success. The signing of this contract saved Philip II from his temporary liquidity crisis. Although he owed more than he could collect that year, he was able partially to pay his creditors with the money that arrived from Castile in the Habsburg Low Countries by the end of the summer. That shipment also allowed Philip II to simulate solvency when it was still weak. Nevertheless, the king was not the only person who profited from this deal. López del Campo, who depended on the Castilian regency and the Council of Finances to negotiate the *asiento*, increased his reputation with other lenders and, especially, before the monarch. Without this bargaining process, Philip II could have not fulfilled his necessary military operations on the French border and in Italy, though its price was high. Princess Joanna and her ministers had finally surrendered their agency to that of Philip II and the conditions imposed by a Genoese financier; the remaining clauses of the reimbursement emphasised this even more.

For example, Nicolao de Grimaldo also obtained a license to export the reimbursement of the whole principal wherever and whenever he desired. This decision contradicted the plan López del Campo drafted in February 1557, which suggested the

⁷⁴⁷ In chapter 7, the links between Nicolao de Grimaldo and the Burgos merchant elite are shown in relation to the new right on wool exports.

⁷⁴⁸ Ruiz Martín, *Pequeño Capitalismo, Gran Capitalismo*, 11.

export of precious metal to thus concentrate as much money as possible in case of contingency.⁷⁴⁹ Therefore, the license was a serious defeat for the regency and, to some extent, for the monarch as well. Since the suspension of payments in June 1557, Philip II and his delegates were not able to negotiate a single *asiento* with Genoese financiers without the concession of this permission. The problem was the distrust that royal officials and lenders had for each other. Whereas the former wanted to prevent the exit of unlicensed money, the latter sought to extract as much money as it was possible out of the kingdom. In accordance with the financial exhaustion that the French war brought upon the Hispanic Monarchy, emperor Charles V allowed individuals to export precious metal from Castile in 1552, a license that Philip II extended until 1560 to have better access to credit.⁷⁵⁰

Both groups had their own means to achieve their goals. Although Grimaldo had gained the right to export a limited amount of money in exchange for his financial services, he still needed specific royal decrees that authorised the operation. This process, however, was progressive and prevented Nicolao from exporting large amounts of money at once. On 14th July 1558, for example, the Genoese lender was allowed to export 8,000 ducats from Castile through the dry port of Monteagudo (southern Navarre), which became his favourite crossing point for successive operations.⁷⁵¹ Once it had crossed the Aragonese border, the money was carried to Barcelona or Rosas, where it was loaded onto Genoese or royal galleys that transported it to its final destination: Genoa. However, crossing the Castilian-Aragonese border was not the simple task that it is today. Although Castile and Aragon were part of the Hispanic Monarchy, they were officially separated by royal officials located in the frontier villages.

The coercive efforts of border officials were the main problem that any businessman faced when exporting money from Castile, even though it was a licensed operation. In the decentralised state model of the Hispanic Monarchy, the officials

⁷⁴⁹ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 62'.

⁷⁵⁰ Marcos Martín, 'Deuda Pública, Fiscalidad y Arbitrios En La Corona de Castilla En Los Siglos XVI y XVII', 347.

⁷⁵¹ Monteagudo was one of the thirty-nine dry ports distributed along the Castilian borders. See Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 237; Hernando Ochoa, 'AGS, CJH, Leg. 33, 77' (Exports license, Valladolid, 14 July 1558); Felipe II, 'AGS, CJH, Leg. 35, 18' 1558; 'AGS, CJH, Leg. 35, 19' (Letter, 1558).

deployed on the borders had to be sure that they were doing their job properly and avoid any frauds that could cost them high penalties. The episode of the 8,000 ducats crossing at Monteagudo reflects how formal and informal institutions intermingled with the local administration, bringing the three actors together to represent what an early modern state was.

On the one hand, the decision of the regency to appoint Lorenzo Ruiz Matallana to escort Grimaldo's representative -Nicolao Amerigo- to the border with Aragon illustrates how a formal institution protected the private property of Grimaldo and, therefore, the *asiento* arranged with him.⁷⁵² On the other hand, the role of Grimaldo's appointee in transporting the money shows how an informal institution, based on business networks that required the capital in Genoa to pay off its members, collaborated with the royal administration to fulfil the terms of the contract. The third part of this picture, the border officials, played a key role as legitimate local powerholders. Whereas Ruiz Matallana had the authority to enforce the license protecting the cargo, border officials had the effective power to authorise the crossing of the border.⁷⁵³ In other words, three different organisations would bargain at a small spot along the Castilian-Aragonese border, emphasising that the early modern state was based on continuous inter-institutional collaboration and administrative negotiation.

Once Amerigo crossed the border, Matallana was expected to return to Valladolid and sign before a notary a declaration about the veracity of his testimony and how the whole process had been carried out.⁷⁵⁴ The participation of public notaries is a common pattern throughout this study as any royal decision had to pass through their hands to be legal. If for any reason royal accountants summoned the border officials to check their record books and search for fraud on this issue, the accused could use those notarial protocols to defend themselves. In this sense, officials at the local level were dependent on public notaries for the royal legitimization of their actions. Therefore,

⁷⁵² Matallana was to accompany the convoy and, once it arrived in Monteagudo, together they were to count the money to check that the sum transported matched what was written in the royal license. See Ochoa, 'AGS, CJH, Leg. 33, 77'; Nicolao de Grimaldo, 'AGS, CJH, Leg. 33, 80' (Attorney letter, Valladolid, 1558).

⁷⁵³ This distribution of power explains why Philip II issued a letter to grant protection to Grimaldo and his representatives before the local authorities (corregidores, jueces de residencia, alcaldes de saca...) to allow the export of precious metal. See 'AGS, CJH, Leg. 33, 82' (Valladolid, 1558).

⁷⁵⁴ The public notary in charge of his testimony was Alonso de Coria. See *ibid.*

notaries were the guarantors of lawful administrative processes that protected private operations such as the abovementioned export of precious metal.⁷⁵⁵

Leaving aside the complex institutional apparatus that made possible one of the concessions to Nicolao de Grimaldo for his financial services, the contract also included a mercy for old debts that allowed the businessman to recover part of the debts accumulated by the king until 1557. The *asiento* stipulated that the general *factor* granted Grimaldo 500,000 ducats of old debts, held by himself or any other Genoese financier, plus an additional sum worth 40,000 ducats from the annual interests at 8% for the whole of 1557.⁷⁵⁶ Unlike Costantin Gentil in his *asiento* of 3rd March, Grimaldo was also allowed to market them through the sale of *juros al quitar*. Therefore, Grimaldo's goal was to locate and convince private investors to purchase these long-term bonds worth 540,000 ducats. While the financier recovered the money lent to the king thanks to the distribution of *juros* to independent capitalists, Philip II alleviated his old debts with the Genoese. Eventually, the monarch recovered those *juros* by paying back the principal invested plus any correspondent additional interest to their holders.

Not all these bonds shared the same interest rates. One half was issued at 7.14%, one quarter at 8.3%, and the remaining quarter at 10%. These three groups of *juros* were counted as a mercy and, unlike the 100,000 ducats in *juros* as repayment of the principal in the *asiento*, they were transferable through renunciation and sale, even if the purchaser was a foreigner. If the holders of these titles were citizens of any other nation, they could transmit them to their descendants according to the laws and rights of their governments. This was a veiled reference to Genoese citizens, who seemed to be the preferred candidates to acquire these *juros*. In addition, the bonds were effective from January 1558 onwards, hence anyone holding them could start receiving their interest (*rendimientos*) almost immediately. Grimaldo also obtained permission to transfer (*mudar*) those *juros* to other royal incomes under the petition of the debt holder and without paying any fee for that service.⁷⁵⁷

⁷⁵⁵ Apart from their legal protection for the actions of formal institutions, notaries were also an important part of informal institutions providing intermediation services among private financiers and investors in the early modern period. See Philip T. Hoffman, Gilles Postel-Vinay, and Jean-Laurent Rosenthal, *Priceless Markets: The Political Economy of Credit in Paris, 1660-1870* (University of Chicago Press, 2000).

⁷⁵⁶ Fernán López del Campo, 'AGS, EST, Leg. 129, 233'.

⁷⁵⁷ A thorough analysis of the distribution of the bonds among investors in chapter 6.

The Genoese financier thus secured remarkable conditions to dispose of his old debts and obtain liquidity to fulfil his obligations. The payments in the Habsburg Low Countries were practically covered for the first three months with the delivery of the 300,000 ducats supplied by the regency and Grimaldo hurried to distribute his *juros* to obtain cash before the payments for July in Italy. Surprisingly, the Genoese financier was more effective than expected. In the last days of July 1558, the ambassador Suárez de Figueroa and the royal *factor* in Genoa reported that bills of exchange valued at 200,000 escudos had arrived at the Ligurian port.⁷⁵⁸ Since the bills of exchange were addressed to the duke of Sessa, the royal *factor*, following the orders of the ambassador, forwarded them to the Genoese financier Manfredo Centurione to service the money and send it to the duke while the diplomat retained a part of it in Genoa.⁷⁵⁹ Two points deserve a special analysis of this process.

First, the initial instalment that Grimaldo had to hand over was worth 66,666 ducats rather than 200,000. However, he advanced the whole payment for Italy in July. This action apparently did not benefit Grimaldo in any way or grant him any additional mercies according to his *asiento*. The Genoese financier probably considered that servicing the full sum before the schedule could help him to obtain new contracts and thus recover more old debts. His strategy could not have been more right, since he signed another *asiento* in October 1558.⁷⁶⁰

Second, when Cattaneo realised the bills of exchange were addressed to the duke of Sesa, he was disappointed with the Council of Finances in Castile.⁷⁶¹ The reputation of the royal *factor* in Genoa was at stake since the royal *factor* in the Habsburg Low Countries, López Gallo, had not serviced a bill of exchange worth 6,000 escudos that were sent to Antwerp in June 1558. Friends and relatives of Cattaneo were turning against him as a penalty for his disservice to the monarch.⁷⁶² This episode demonstrates that a private financier who was part of an informal institution based on

⁷⁵⁸ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1387, 22', Letter, (31 July 1558); 'AGS, EST, Leg. 1387, 122' (Memorandum, 29 July 1558).

⁷⁵⁹ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1387, 22'; Silvestre Cattaneo to Philip II, 'AGS, EST, Leg. 1387, 121', Letter, (26 July 1558).

⁷⁶⁰ 'AGS, CJH, Leg. 34, 54'.

⁷⁶¹ 'AGS, EST, Leg. 1387, 122'.

⁷⁶² [...] mi ha dato il colpo mortale perche li amici e parenti miei ne' sono venuti in una tanta defidentia che ancohra non li ho potuti ritornare in ragione [...], see *ibid.*

a business network, Silvestre Cattaneo, joined a formal institution such as the *Factoría General* while still using the services of those networks. In other words, informal and formal institutions were indistinguishable in this case. More specifically, they were dependant on each other to work properly and each was affected by the legal procedures and traditions of the other. For example, when López Gallo did not issue the legal order to pay the bill of exchange that Cattaneo had charged him to service, Cattaneo's reputation for future deals suffered in the eyes of his family and friends. As a result of this institutional relationship, public and private property intermingled in the hands of royal officials and private entrepreneurs.

However, the damage to Cattaneo's reputation, which consequently involved the credibility of the *Factoría General*, could be beneficial to another of its members. The general *factor* in Castile had been discrediting his institutional colleagues to monopolise decisions in the *Factoría General*.⁷⁶³ In this sense, the private entrepreneurs who were directing a formal institution competed with each other for its control. The abovementioned letters by Cattaneo and López del Campo demonstrate that their mutual accusations mostly regarded transaction costs for operations linked to bills of exchange. The lack of information, the excessive costs of the financial service, or the fear of a coordination failure were among their main complaints. The competition between these royal officials intertwined with the agendas of private financiers such as Nicolao de Grimaldo and the interests of high-ranking royal servants such as the members of the Castilian Council of Finances. Notwithstanding the complex relationship among all the actors involved, the bills of exchange Grimaldo sent to the duke of Sesa financed the recovery of Piedmont and protected Genoa from a French invasion, which simultaneously increased the reputation of the monarch.⁷⁶⁴

⁷⁶³ Already in March 1558, López del Campo tried to discredit his colleagues in the *Factoría General*, Gallo and Cattaneo, and encouraged Philip II to concentrate all the powers in him. See Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 220'.

⁷⁶⁴ Details about the campaign in Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1387, 23-24', Letter, (30 August 1558).

5.3. The wheel must keep spinning: the excessive issuance of *juros* in Castile for an all-fronts war

When Nicolao de Grimaldo signed the *asiento* of 22nd May 1558, he triggered a situation close to a new suspension of payments. The first reimbursement of July, discussed in the previous section, was accompanied by bad news for the royal ministers. That month, the Gentil-Centurione consortium declined to accept the *encomienda* of Estepa as partial payment of their old debts and sought to enforce the deal of 3rd March with Philip II.⁷⁶⁵ The financiers now demanded their compensation in *juros* as was planned in case of failure of the sale, perhaps inspired by the *juros* offered in Grimaldo's *asiento* and his later success in placing them on the market very quickly. This unexpected decision meant the royal administration would have to issue 700,000 ducats in *juros* at 7.14% and 400,000 more at 5%, besides 300,000 ducats extra in cash to reach the agreed 1.4 million ducats of old debts. Therefore, the problem at this stage was not liquidity but solvency. The Council of Finances and López del Campo had to find free royal incomes for the massive issuance of *juros*, which proved to Philip II that there were no incomes available for that purpose. If the consortium could not find any trustworthy royal revenue to back those bonds, they would become useless and unsellable.

Simultaneously, López del Campo realised that the decision of the consortium complicated the task of paying old debts to Nicolao de Grimaldo even more. The allocation of both sums of old debts was simply impossible. The reputation of the monarch would crumble and access to new credits would be back to the period just before the consolidation of the floating debt in June 1557. In addition, the moneys that had been shipped with the navy of Laredo left Castile with little liquidity, which forced the delay of the fair of May until 20th August.⁷⁶⁶ Many financiers were eager to see their investments back, such as Diego de Bernuy and Rodrigo de Dueñas, who had financed the monarch in the months after the suspension of payments.⁷⁶⁷ López del Campo,

⁷⁶⁵ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 221'.

⁷⁶⁶ There is an inconsistency in the departure date of the fleet of Pedro Menendez that was docked in Laredo with 400.000 escudos. On the one hand, Suárez de Figueroa reported having received letters by Philip II written on the 4th and 6th of June telling him about the arrival of Pedro Melendez. However, the general factor López del Campo claimed that the navy departed from Laredo on 18th July. See Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1387, 29', Letter, (20 June 1558); Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 221'; other scholars such as Ulloa, Rodríguez Salgado or Carlos Morales do not specify this detail in their works.

⁷⁶⁷ Carlos Morales, *Felipe II*, 53.

foreseeing how much he had to reimburse, advised a further delay of the fair, until the American fleet arrived.⁷⁶⁸

Every royal income the general *factor* could use was already consumed. For example, the new right on wool exports, which had been enacted in April 1557, was fully committed to backing the *juros* of Genoese financiers and could only collect about 80,000 ducats that year. Clearly, the royal administration would have to enact new taxes or, at least, increase the traditional ones. Although the *cortes* had passed the figure of 454 million maravedis (1.21 million ducats) for the ordinary and extraordinary *servicios* by the end of July, the representative institution was still petitioning for the abolition of the *nuevo derecho de lana* and the renewal of the *encabezamiento general*.⁷⁶⁹ These petitions ignited the opposition of the Kingdom of Castile to increasing Philip II's fiscal ceiling.

Nevertheless, not all news was unwelcome. In July, the consortium retracted its stated intention and Adam Centurione wrote to the regency of his intention to take the *encomienda* of Estepa for himself and purchase the collection of its *alcabalas*.⁷⁷⁰ The change of agenda reveals that the consortium was divided between two strategies. Whereas Costantin Gentil and Luciano Centurione declared they were interested in the *encomienda*, Adam Centurione's decision as head of the consortium was decisive. Adam Centurione might have known about the financial constraints of the regency, which limited any possible resale of *juros* and risked the finances and reputation of the consortium. Information, once again, was an important element in the transaction costs of early modern deals. Furthermore, the purchase of the *encomienda* and its fiscal revenues not only gave Centurione lordly jurisdiction over it, granting him important income in fees, but also the earnings of one of the most profitable taxes collected in the territory. Although the Genoese financier would have to pay for the right to collect the

⁷⁶⁸ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 221'. In the end, it was delayed until October of that year. See Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 146.

⁷⁶⁹ Real Academia de la Historia, *Cortes de Los Antiguos Reinos de León y de Castilla.*, vol. 5, p. 735.

⁷⁷⁰ Both the news about the initial rejection and the final acceptance are in the same letter written by López del Campo. See Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 221'; on 14th September 1558, the consortium paid 130.690 ducats for the *alcabalas* of Estepa. See Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 167.

alcabalas in the *encomienda*, its incorporation in the sale suggests that it was a mercy in exchange for not requesting the payment in *juros*.

Adam Centurione's decision left more room for earmarking the *juros* of Grimaldo and lightening the financial burden of the royal treasury. Nevertheless, military constraints demanded additional funds. Thionville, at the border with Flanders, had surrendered to the French army.⁷⁷¹ At the same time, rumours about the defection of Monaco to France and the presence of the Ottoman navy around the Italian shores alarmed Genoa.⁷⁷² The raiding Ottoman ships stormed first into the gulf of Naples and plundered Sorrento and Massa, near the vice regal capital. They took three thousand captives before the navy headed to the Papal territory, without causing any harm. They then turned to Corsica, where they were spotted from Calvi on 26th June.⁷⁷³ Following this, the ambassador Suárez de Figueroa, admiral Andrea Doria, and Juan de Mendoza discussed the next possible target of the Ottoman navy. The most probable objectives were Mallorca, Menorca and Ibiza, so they ordered that galleys be sent with armed men to protect these islands if needed.⁷⁷⁴

The escalating conflict in the North-western Mediterranean worried the principals of Genoa. The council of the city, in an attempt to ease relations with the Ottoman Empire, decided to send an ambassador with gifts to hold a dialogue with the Ottoman pasha (governor or military deputy). The double French-Ottoman threat on the Italian front was considerable for the Republic of Genoa. The general unease triggered the independent agency of the Republic, which also sent emissaries to Constantinople. The role of Genoa in this issue responded, therefore, to its double agenda. On the one hand, the Republic wanted to safeguard their city and protect its private property. On the other, Genoa sought to serve Philip II by lowering the military pressure on the Italian front and thus reducing the financial needs of the monarch.

Notwithstanding these diplomatic efforts, the Ottoman navy attacked in Menorca the cities of Maon, without success, and Citadela, on the opposite side of the

⁷⁷¹ The city fell under the French assault on 22nd June 1558. See Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1243', Letter, (24 June 1558).

⁷⁷² Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1387, 135', Letter, (7 September 1558).

⁷⁷³ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1387, 2', Letter, (7 November 1558).

⁷⁷⁴ Later reports informed about attacks on Menorca during June and July. See Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1387, 136', Letter, (26 July 1558).

island.⁷⁷⁵ The navy sailed to Niza after it left Menorca, although the city was already prepared with troops sent from Genoa. Once the Ottoman admiral realised the high cost of raiding Niza, he led his ships to Savona, where the navy remained until 26th August. The Ottoman fleet departed on that day, travelling along the Italian coastal border to the Levant, and it was visible from Genoa, scaring the citizens of the Ligurian republic. After some skirmishes with the Hispanic fleet, the Ottoman navy was last seen in Cape Santa Maria de Leuca (Puglia), heading eastwards.⁷⁷⁶

This episode of the Ottoman navy raiding the western Mediterranean Sea until the end of August 1558 was the result of a collaborative strategy with Henry II of France.⁷⁷⁷ The action generated a domino effect in the Hispanic realms, especially after setbacks in North Africa in the previous two years. In Catalonia, for example, the rulers of Barcelona thought their city was the main target of the Ottoman fleet and asked the regency for help. This action intensified the social panic, which was manifested as more hate against groups of *moriscos*, Muslim people who had converted to Christianity, living in the monarchy.⁷⁷⁸

The viceroy of Catalonia agreed with the Catalan deputies to retain part of the *servicio* that the *Cortes* of Aragon had granted to the king in their last meeting to protect Barcelona.⁷⁷⁹ In this case, a local representative institution demonstrated its influence over the collection and, more importantly, spending of pecuniary contributions agreed at regional meetings. Multilevel negotiation was, once again, a pattern throughout the Hispanic Monarchy. However, the decision to retain the subsidy reduced Philip II's expected incomes and highlighted the measured political and financial independence of the viceroys. Simultaneously, the Castilian representatives in the *cortes* complained to the monarch that the defence of Christendom was at stake, when they demanded border reinforcements – a petition that they had already submitted at the *cortes* of 1555.⁷⁸⁰ The military constraints became a social problem that continuously consumed funds and manpower.

⁷⁷⁵ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1387, 22'.

⁷⁷⁶ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1387, 5', Letter, (26 September 1558).

⁷⁷⁷ Shaw, *The Italian Wars, 1494-1559*, 264–70; Setton, *The Papacy and the Levant, 1204-1571*, 698.

⁷⁷⁸ Rodríguez-Salgado, *The Changing Face of Empire*, 286.

⁷⁷⁹ Joanna of Austria to Philip II, 'AGS, EST, Leg. 129, 50'.

⁷⁸⁰ Real Academia de la Historia, *Cortes de Los Antiguos Reinos de León y de Castilla.*, vol. 5, pp. 750–51.

The pessimism, caused by the naval expedition of the Ottoman navy, contrasted with the successful military offensives of the Hispanic Monarchy on other fronts. The duke of Sessa retook Piedmont, whilst in July Philip II achieved a major victory in Gravelines that forced Henry II to start negotiating a durable peace.⁷⁸¹ The understanding of the effects of these events helps to explain the behaviour of the regency towards political and financial issues during the period between May and October 1558. In August of that year, for example, the princess regent Joanna organised a campaign of punishment against Barbary coast, which was one of the last actions independent of the king that the regency undertook. Although Philip II initially disavowed the decision, his long-term fiscal plundering of ecclesiastical incomes encouraged him to finally accept it.⁷⁸² The actions against Muslim forces in Africa were a recurrent requisite at the meetings of the Assembly of the Castilian Clergy.⁷⁸³ Military conflict, therefore, could also be the result of institutional development rather than its trigger.

5.4. Towards the peace: Nicolao de Grimaldo and the consolidation of the new system

A summer full of political and military ups and downs ended just as it had started: with good and bad news. On the positive side, Joanna of Austria wrote to Philip II on 20th September to tell him that the *cortes* had concluded without his approval the renewal of the *encabezamiento general*. Nonetheless, she recommended to Philip that he concede the renewal of general capitation to the cities as they had approved the *servicios* even before the king had committed himself to accepting their main demand.⁷⁸⁴ Philip II wanted to leave the issue of the *encabezamiento* unresolved to increase it and exceed the income ceiling that had limited his borrowing capacity in the past.

This strategy directly affected the royal debt holders. If the monarch enlarged his income, it would be more likely that they could obtain trustworthy allocations. Nevertheless, Suárez de Figueroa counselled the monarch to be strict on financial

⁷⁸¹ Manuel Fernández Álvarez, *Felipe II y Su Tiempo*, Espasa Fórum (Madrid: Espasa-Calpe, 1998), 328–29.

⁷⁸² Rodríguez-Salgado, *The Changing Face of Empire*, 284–85.

⁷⁸³ Perrone, *Charles V and the Castilian Assembly of the Clergy Negotiations for the Ecclesiastical Subsidy*, chap. 7.

⁷⁸⁴ Joanna of Austria to Philip II, 'AGS, EST, Leg. 129, 54', Letter, (20 September 1558).

issues.⁷⁸⁵ The diplomat also requested Philip's favour to force the Council of Finances to accept the bills of exchange that Silvestre Cattaneo had sent them. Neither the princess regent Joanna nor her ministers, including the general *factor*, wanted to agree to any other payments charged against Castile until they could collect new funds.

Philip II demanded from Castile two million ducats to prepare for the upcoming winter and, at the same time, emperor Charles V died in Yuste on 21st September.⁷⁸⁶ His death eliminated a long-standing barrier to the agenda of the regency. Since he had retired to Castile in September 1556, Charles always sought to help his son with any means, especially financial, confronting his own daughter if necessary.⁷⁸⁷ Interestingly, the principal nodes of the monarchy received delayed news about the death of the retired sovereign. The regent Joanna did not write to her brother about the death of the emperor until 11th October, twenty days later.⁷⁸⁸ Suárez de Figueroa, the ambassador in Genoa, knew of the news from the captain of the Sicilian galleys, Don Berenguel de Requesens, but not from the regency.⁷⁸⁹ This silence from Castile could be related to Joanna's recently acquired freedom, which allowed her to negotiate a new *asiento* with Nicolao de Grimaldo in the first days of October.

On 5th October 1558, Nicolao de Grimaldo opened his purse to serve the king with 500,000 escudos.⁷⁹⁰ Once again, the Genoese financier demanded a premium for the exchange of currency. The contract stipulated a ratio of 400 maravedis per escudo, which resulted in 533,333 Castilian ducats. These funds barely covered a quarter of the two million ducats that Philip II had demanded in September. The problem of royal solvency, or more specifically the solvency of the regency, still limited the borrowing capability of the monarch. The *asiento* stipulated payments in bills of exchange instead of cash. This decision was a logical clause because the first payment of 150,000 escudos

⁷⁸⁵ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1387, 5'.

⁷⁸⁶ On the request of the monarch, see Rodríguez-Salgado, *The Changing Face of Empire*, 248. On the death of the Emperor, see John Lynch, *Spain under the Habsburgs*, 2. ed (New York: Univ. Pr, 1981), 108.

⁷⁸⁷ The most relevant example was the intervention of the Emperor to enforce the confiscation of the American fleet in March 1557, which was intended to provide extraordinary funds to Philip II. See Fernández Álvarez, *Corpus documental de Carlos V*, 4, 308–11.

⁷⁸⁸ Joanna of Austria to Philip II, 'AGS, EST, Leg. 129, 158', Letter, (10 November 1558).

⁷⁸⁹ Gómez Suárez de Figueroa to Joanna of Austria, 'AGS, EST, Leg. 1387, 18-19', Letter, (12 June 1558).

⁷⁹⁰ Copies of the contract in 'AGS, CJH, Leg. 34, 54'; 'AGS, EST, Leg. 131, 8-10' (*Asiento* copy, Valladolid, 10 May 1558); also referred to, for example, in Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 145.

should take place in November of that year. Therefore, there was no physical time to collect the money in Castile, ship it to the Habsburg Low Countries, and exchange it for escudos. A piece of paper travelled faster than a heavy chest.

The following payments would continue in December and January, worth 150,000 escudos each. The last payment was expected in February and was worth 50,000 escudos. The distribution of the instalments reveals the need for a large accumulation of liquidity in the shortest period possible. This operation demanded great solvency from Grimaldo in the eyes of his clients, to present himself as a trustworthy broker and collect their investments. Indeed, thanks to his ability marketing the *juros* he had received in exchange for old debts from the *asiento* of 22nd May, he had already demonstrated this.⁷⁹¹ In addition, Grimaldo could reckon upon 12% annual interest for every payment he fulfilled (table 4). Without any doubt, this high rate revealed how constrained the credit market was.⁷⁹² Determining the exact amount of money that Grimaldo earned with these interests is not the goal of this study. The multiple delays in the celebration of the fairs and the missing information about some Papal bulls that backed the payments of November 1558 and January 1559 impedes that research path.

Nonetheless, it is feasible to estimate the basic interest of this operation through the rate of 12%, which generates a minimum profit of 64,000 ducats for his services.⁷⁹³ The illustration below shows that the burden of the reimbursement of the principal was shared with other treasurers and merchants. In fact, the November payment would be entirely paid by third parties. This distinction left López del Campo without any initial responsibility for it, something that was advantageous for the regency due to the lack of liquidity. Finally, Grimaldo obtained a license to export the principal, either in bullion or currency, to Flanders, Italy or Besançon. In case Grimaldo and the French monarch had deals in common, this license also prevented the former from sending that money to France, thereby intruding into Grimaldo's business network. The emissaries of Philip II and Henry II were negotiating the peace during these weeks, so the French should not receive any additional funding to continue with the war.

⁷⁹¹ Esteban Lomelin, son-in-law of Nicolao de Grimaldo, would forward part of that money from Besançon to Antwerp. See Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 145.

⁷⁹² Carlos Morales, *El Precio Del Dinero Dinástico*, 2016, 86.

⁷⁹³ The 12% interest rate on the principal of 500,000 escudos at 400 maravedis per escudo (533,000 ducats) equals 64,000 ducats, which was the fee applied for the services given.

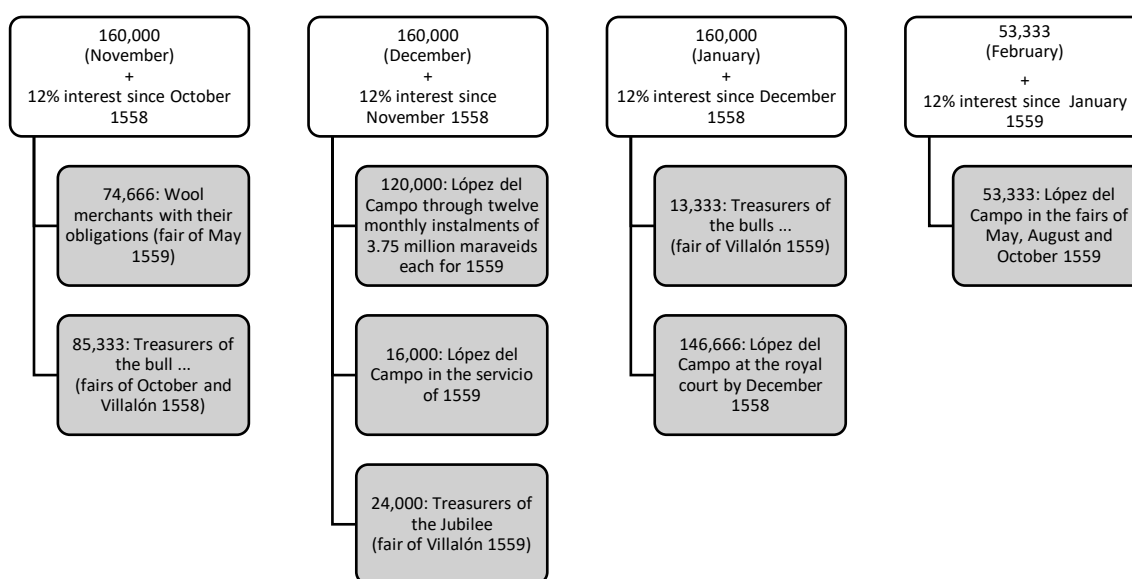


Table 4: Distribution of the reimbursement for the principal according to each instalment of Nicolao de Grimaldo (in ducats). The final interest would be calculated once the payments were arranged. Source: AGS, CJH, leg. 34, 54.

Apart from the complex reimbursement of the principal, the financier obtained old debts once again.⁷⁹⁴ Grimaldo made a proposal to López del Campo in May to recover old debts and this plan prospered.⁷⁹⁵ On 24th May, the general *factor* had written to Philip II that once the *asientos* with the Gentil-Centurione consortium (21st May) and Grimaldo (22nd May) were fully repaid, the monarch would only owe 600,000 ducats to the Genoese financiers.⁷⁹⁶ These moneys were so widely dispersed among investors that most would not receive more than 15,000 ducats each. In the contract of 5th October, perhaps convinced by that proposal, the regency granted Grimaldo a mercy of 200,000 ducats of old debts, which could belong to him or someone else. This deal, hence, left 400,000 still up in the air. The general *factor* committed Philip II to paying that sum or part of it to whomever Grimaldo chose. A part of those debts had already been paid with the *juros* at 5% in the debt consolidation of June 1557. These bonds provided to their holders an annual interest of 5% depending on how much the royal estate owed them individually.

⁷⁹⁴ 'AGS, CJH, Leg. 34, 54'.

⁷⁹⁵ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 234'.

⁷⁹⁶ Pulido Bueno, *Génova En La Trayectoria Histórica de España*, 336.

Nevertheless, since Grimaldo had signed the contract of 5th October, the *juros* holders would experience a retroactive increment of 3 percentage points on their interest for the years 1557 and 1558, which they would start receiving from 1st January 1559. The contract also arranged an additional increase of 2 percentage points up to 10% from that moment onwards. These increases would be paid from the sale of *juros* at 10% that Nicolao de Grimaldo promised to market among private investors.⁷⁹⁷ Grimaldo became both an agent for the king, providing him with liquidity to service his debts, and a solution for the Genoese to recover the money that the royal officials consolidated. Compared to the case of Silvestre Cattaneo and his colleagues in the *Factoría General*, Grimaldo was another private entrepreneur participating simultaneously in the actions of formal and informal institutions.

In an attempt to facilitate the sale of those debt titles, the contract earmarked half of them to the new right over exported wool, payable in two halves at the fairs of May and October. The second half was allocated in *alcabalas* and other royal incomes held by the royal official Luis de Peralta. This allocation led to abundant correspondence from Grimaldo, asking Peralta for the allocation of a certain sum of money for one of his clients.⁷⁹⁸ For the sale of these *juros* at 10%, neither Grimaldo nor the prospective holders had to pay the administrative fees for issuing new titles. Conversely, if the holders wanted to sell their *juros* and the new holder desired the liquidation of the title, they would pay the traditional fee to the royal accountants.

This stipulation aimed to avoid speculation and loss of control over the *juros* through the increase in transaction costs for a secondary broker. If someone brokered the purchase of a *juro* with Grimaldo using the funds of a third party, this broker would have to pay for the resale a price charged to the final holder. In the third part of this dissertation, some examples will demonstrate the existence of this expensive practice, which other Genoese financiers intermediated in a masterful fashion. There were exceptions to this rule, but they were rare. An important example was the case of the

⁷⁹⁷ 'AGS, EST, 131, 8-10'.

⁷⁹⁸ Most of these letters to Peralta are held in AGS, CJH, leg. 35, though some of them are also in AGS, CJH, leg. 33. See two examples in Nicolao de Grimaldo to Luís de Peralta, 'AGS, CJH, Leg. 35, 43', Petition letter, (14 December 1558); Nicolao de Grimaldo to Luís de Peralta, 'AGS, CJH, Leg. 33, 106', Petition letter, (26 December 1558).

duchess of Florence, whose *juro* was intermediated by a businessman from Burgos called Francisco de Castro Mújica. The consecutive sales involved the participation of more people, a strong flow of information, and the legal protection of the *juro* in the long term. All these elements were transaction costs associated with this secondary debt market.⁷⁹⁹

Grimaldo became prominent in the Genoese community, aided by his recently acquired advantageous position in the market of old debts. He monopolised the distribution of old debts through his *asiento*, which precipitated a wave of investors contacting him to deal with the recovery of their old debts. In order to transform the *juros* at 5% into new ones at 10%, Grimaldo needed all the attorney powers from the affected lenders, which gradually arrived. Juan Jacobo Cibo Peryano, apostolic notary of the Holy Roman Empire arranged most of these notarial protocols in Genoa. Indeed, just a day after Grimaldo agreed the *asiento* of October in Castile, Paulo Spinola, patrician of Genoa, signed his notarial protocol.⁸⁰⁰

The agency of public servants like Peryano helped to officialise attorney powers that his Castilian counterparts recognised, thus becoming an essential part of the flows of credit in the Hispanic Monarchy. Those notaries, usually grouped together in guilds, were also part of institutions able to give validity to international contracts. The process required a certified translation of the original protocol from someone whom the Castilian official trusted. Unnoticed, these notaries channelled trust between separate polities, which helped financiers like Grimaldo or those in the Gentil-Centurione consortium to keep the Hispanic Monarchy functioning, an aspect of this financial revolution that has not yet been dealt with in-depth.

Notwithstanding the effectiveness of this system, it was slow. Investigations about how much the monarch owed to his lenders were still in process, which compelled Grimaldo and López del Campo to improvise. They agreed to make Grimaldo an informal treasurer in charge of the custody of funds obtained from the sale of *juros* until the investigations finished. The Genoese financier became liable for paying the holders of

⁷⁹⁹ North, 'Institutions, Transaction Costs, and the Rise of Merchant Empires', 24; Dahlman, 'The Problem of Externality', 148.

⁸⁰⁰ 'AGS, CME, Leg. 153, 23' 1560.

royal debt when they reclaimed what the king owed them. This decision was another step in a process of the privatisation of royal debt, which henceforth was being partially administered by independent agents. In this sense, Grimaldo had to market and service the titles that funded the old royal debts.⁸⁰¹

The Genoese financier still had the *juros al quitar* at a 10% interest rate that he had to sell in the secondary debt market. He had already achieved an identical deal in his *asiento* of May, although then the amount of money attached to them was higher. This fact reveals how desperate the regency was to supply liquidity to Philip II. Grimaldo's operation, nonetheless, was overcome by a new bid from Luciano Centurione, this time associated with another Genoese financier -possibly the abovementioned informant of Eraso in Castile- called Nicolao Cattaneo.⁸⁰² They signed a collaborative *asiento* on 19th October with López del Campo, barely two weeks after that of Grimaldo, promising 100,000 escudos to be placed in Antwerp in exchange for 33,333 ducats of old debts plus interest, which would also be distributed through *juros al quitar* at a 10% interest rate.⁸⁰³ If this deal is compared to the *asiento* just negotiated with Grimaldo, then the consortium failed to prevail before a rival who officially worked individually. Still, the consortium obtained the largest share of old debts reimbursed in a single contract (March-May 1558).

The last *asiento* arranged with Grimaldo opened the purses of other financiers, all Genoese. From that moment onwards, contracts were negotiated with Vicencio Imperial (27th November), Luciano Centurione (29th November), Esteban Spinola (29th November), and the company of Felipe Spinola and Jacome Lercaro (30th December). These operations closed the year with the forwarding of an extra 616,000 escudos to the Habsburg Low Countries.⁸⁰⁴ The king received 1,216 million escudos (approximately 1,315,000 ducats), which was a considerable sum but still far from the two million ducats

⁸⁰¹ The records of this sale in 'AGS, DGT, Inv. 24, Leg. 491' (Accounting record, n.d.), sec. 2. Cargo y data del factor general Fernán López del Campo (1559).

⁸⁰² 'AGS, EST, Leg. 130, 72' (*Asiento* copy, 19 October 1558); the archival reference to this *asiento* was first given by Carlos Morales, *Felipe II*, 72.

⁸⁰³ 'AGS, DGT, Inv. 24, Leg. 491', sec. 2. Cargo y data del factor general Fernán López del Campo (1559).

⁸⁰⁴ Felipe Ruiz Martín, 'Un Expediente Financiero Entre 1560 y 1575', *Moneda y Crédito*, no. 92 (1965): 19–20; Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 145. Copies of these *asientos* in 'AGS, EST, Leg. 117, 12' (*Asiento* copy, 27 November 1558); 'AGS, EST, Leg. 117, 200' (*Asiento* copy, 29 November 1558); 'AGS, EST, Leg. 117, 201' (*Asiento* copy, 29 November 1558).

demanded. Meanwhile, there was a strong need for liquidity in Castile to pay for basics, such as the royal militias (*guardas*).⁸⁰⁵ It was again Nicolao de Grimaldo who advanced funds to cover this expense. On 22nd January 1559, he promised 100,000 ducats to the regency.⁸⁰⁶ Whether Grimaldo obtained another transformation of old debts for this deal or not requires further research, but it is certain that he still had a leading role in the management of the royal liabilities.

The resumption of the credit flow and the initial peace talks between the Hispanic Monarchy and France did not restrain Philip II from continuing to borrow. In February 1559, the monarch demanded 1.7 million ducats from Castile.⁸⁰⁷ The regency, exhausted by the partial fulfilment of the last request for funds, did its best again. The contracts were signed mainly in Castile, while Genoa was displaced to a secondary post as soon as the campaigns of the duke of Sessa ceased and the Ottoman navy returned to the Levant. The complaints about this isolation of Silvestre Cattaneo against López del Campo, who had not written to him since 15th December 1558, confirm this perspective.⁸⁰⁸ Moreover, in the upper political circles a surprising proposal was being considered through the correspondence between the ambassador Suárez de Figueroa and the royal court in Brussels. Juan Andrea Doria, representative of the admiral Andrea Doria, had asked Philip II to seize the city of Genoa and depose the current government.

The admiral complained about the excessive freedom the Republic enjoyed during the war such as, to name a few, the embassies in Constantinople, its participation in the rebellion in the marquisate of Finale to overthrow the marquis, or the signs of other changes and novelties.⁸⁰⁹ Doria suggested to the duke of Sessa that he lead the capture of the city, which would be easy due to the lack of defences. This plan was not new, a similar one had been drafted in 1548. The then prince Philip had been in Genoa

⁸⁰⁵ Already during the reign of Emperor Charles V, the Castilian government would arrange *asientos* to pay the *guardas*. This financing turned them from an extraordinary expense into an ordinary and predictable one. See David Alonso García, 'Deuda, crédito y Hacienda Real en tiempos de Carlos V', in *Historia de la deuda pública en España: (siglos XVI-XXI)*, 2015, 23.

⁸⁰⁶ Esteban Hernández Esteve, *La historia de la contabilidad, vía privilegiada de aproximación a la investigación histórica cuentas de los fondos recibidos por la Factoría General de los Reinos de España para financiar la guerra de Felipe II contra el Papa Pablo IV y Enrique II de Francia (1556-1559): discurso pronunciado por el Dr. D. Esteban Hernández Esteve ... y contestación del académico Dr. D. Leandro Cañibano Calvo* (Madrid: Real Academia de Doctores de España, 2010), 116.

⁸⁰⁷ Carlos Morales, *Felipe II*, 60.

⁸⁰⁸ Silvestre Cattaneo to Francisco de Eraso, 'AGS, EST, Leg. 1388, 39', Letter, (2 August 1559).

⁸⁰⁹ Francisco de Eraso to Gómez Suárez de Figueroa, 'AGS, EST, Leg. 1388, 97', Letter, (13 February 1559).

at the time and the emperor had rejected the plan, since it would be very inconvenient. Twenty years later the situation was the same when the proposal was again put on the table. The risk was too high, and the losses could be huge. Suárez de Figueroa believed that the occupation of the city would make the Italian states allies against the Hispanic monarch.⁸¹⁰ In addition, France could use it as an excuse to resume the war, considering the fact that it had always been interested in the Republic.

The monarchy finally decided to leave the Republic to walk its own path, albeit close to the Hispanic one. Apart from the high cost of such a campaign, an attack on Genoa would surely have destroyed the new financial system led by Grimaldo and the consortium. Bearing in mind that the Genoese financiers had brokered most of the funds from the Hispanic Monarchy, dismantling the system by besieging the city seemed too counter-productive. Instead of destroying the republic, Philip II tried to reinforce it. The monarchy helped in the defence of Corsica against the attack by French galleys.⁸¹¹ The king considered the territories of the republic as his own, without them being his. This appeal to Genoa simply reflected the existent symbiosis between the two polities, an aspect that had evolved faster in the period 1557-1559 than in the interval from 1528 (the start of the formal alliance with the Hispanic Monarchy) to 1557.⁸¹²

The month of March 1559 passed without much news, except for the peace talks with France. The ambassador Suárez de Figueroa wrote to Philip II to confirm the rumours that had been heard from merchants of Lyon.⁸¹³ According to these, France and the Hispanic Monarchy had signed a peace treaty between 17th and 18th March. The Hispanic delegate was not sure whether this information should be taken seriously. The secrecy around this issue was dangerous and caused uncertainty among important people, especially in Genoa. Both the ambassador and the royal *factor* felt somewhat

⁸¹⁰ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1388, 95', Letter, (1559).

⁸¹¹ Philip II to Gómez Suárez de Figueroa, 'AGS, EST, Leg. 1388, 94', Letter, (13 February 1559); Philip II to Juan Andrea Doria, 'AGS, EST, Leg. 1388, 110', Letter, (13 February 1559).

⁸¹² Manuel Herrero Sánchez, 'Republican Monarchies, Patrimonial Republics: The Catholic Monarchy and the Mercantile Republics of Genoa and the United Provinces', in *Polycentric Monarchies: How Did Early Modern Spain and Portugal Achieve and Maintain a Global Hegemony?* (Sussex Academic Press, 2012), 181–96. On the climax of the relationship see Thomas Allison Kirk, 'The Apogee of the Hispano-Genoese Bond, 1576-1627', *Hispania: Revista Española de Historia* 65, no. 219 (2005): 45–65. For a new view of the end of the relationship, see Alejandro García Montón, 'Trayectorias Individuales Durante La Quiebra Del Sistema Hispano-Genoves: Domingo Grillo (1617-1687)', in *Génova y La Monarquía Hispánica (1528-1713)*, vol. 1 (Società Ligure di Storia Patria, 2011), 367–84.

⁸¹³ Gómez Suárez de Figueroa to Francisco de Eraso, 'AGS, EST, Leg. 1388, 31', Letter, (31 March 1559).

marginalised in the Ligurian port city, though they were unaware about whether the regency in Castile was in the same situation. All their information came from secondary sources, the same ones that Genoese financiers used to manage their businesses. Occasionally, this source of information was more important than the official channels, as they could influence the prospective holders of *juros* to keep lending to Philip II. Once again, information had an important impact on the transaction costs.

The peace negotiations with France were delayed until 23rd March, since Philip II was waiting for an answer from Elisabeth Tudor, the new queen of England after Mary's death, to his marriage proposal.⁸¹⁴ The monarch realised that continuing the war was senseless and the peace was agreed on 3rd April at Cateau-Cambresis, at the Franco-Hispanic frontier in the north of France.⁸¹⁵ Leaving aside the political and diplomatic development of events, the regency of Castile was still worried about the request for additional funds sent in February. On 10th April 1559, the regency agreed a new *asiento* with Nicolao de Grimaldo.⁸¹⁶ On this occasion, Grimaldo promised 600,000 escudos through bills of exchange to the Habsburg Low Countries in exchange for 174,000 ducats of old debts. Once again, the Genoese financier obtained *juros al quitar* at 10% interest to market them and thus obtain liquidity from their sale to private investors. The system was the same and the new right on exported wool again backed more than half the *juros*. This new tax defined the rhythm of the reimbursement of the old debts.

The bills of exchange sent from Grimaldo to Philip II travelled at the same time as the letters from the regent Joanna.⁸¹⁷ According to her correspondence, the financier would receive as repayment for his principal what was left in the *Casa de Contratación* in Seville from the American fleet that arrived in November 1558. The sum, still in bullion, was estimated at approximately 434,666 ducats. Nonetheless, Grimaldo could not obtain the whole sum, since López del Campo also needed that income to attend

⁸¹⁴ Parker, *Imprudent King*, 125.

⁸¹⁵ The Venetian ambassador in Brussels followed the entire negotiation from its beginning. See his final comments in Paulo Tiepolo to Doge and Senate of Venice, 'CSP, Venice, Vol. 7, 55', Letter, (4 February 1559).

⁸¹⁶ The date of this contract is an issue still not resolved by the literature. While the sources consulted point to the 10th of April as the day of the agreement, Modesto Ulloa proposes the 10th of May and Hernández Esteve claims the 20th of April. Cf. 'AGS, DGT, Inv. 24, Leg. 491'; *ibid.*; Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 147; Hernández Esteve, *La Historia de La Contabilidad*.

⁸¹⁷ Joanna of Austria to Philip II, 'AGS, EST, Leg. 137, 139', Letter, (22 April 1559).

the delayed fair of October. There is no specification in the letters of how the money was divided between them. The most important issue, wrote the regent, was to be present at the fair ('[...] *hacer rostro en ella* [...]'). Finally, the fair began on 30th April or 1st May with a general *factor* quite limited and highly constrained regarding the payments he had to make, which amounted to 643,946 ducats.⁸¹⁸ The general *factor* owed practically the same sum of money that Grimaldo had lent the king through the bills of exchange. Apparently, both Castile and the monarch were in a similar situation.

The sale of jurisdictions and *alcabalas* proved helpful, but they also had social consequences. The regent reported to Philip II that these sales had gone too far, and that towns and vassals were rising in arms against the decision. The transfer of the *encomienda* of Estepa to Adam Centurione was just one of many examples of this political economy, which aimed to increase the income ceiling to sustain borrowing. It should be mentioned that Joanna's letter also reveals another *asiento* signed with Grimaldo in April 1559 for 200,000 escudos, which were sent to the Habsburg Low Countries as bills of exchange.⁸¹⁹ Surprisingly, there are no further archival references to this deal, only the regent's letter.⁸²⁰ This fact limits the analysis of the last *asiento* with Grimaldo in the immediate weeks after the treaty of Cateau-Cambresis. Nevertheless, it was clear that the agency of Nicolao de Grimaldo during that last year was invaluable for transforming the financial system in which the Hispanic Monarchy rested.

Conclusions:

The analysis of the second stage of the financial transformation reflects the existence of multiple agencies in the process. The first, and perhaps the most important, was embodied in Nicolao de Grimaldo. This Genoese businessman benefited from the new policy of the *Factoría General* regarding the reimbursement of old debts through the issuance of transferable *juros*, rather than cash, at an interest rate above 5%. Grimaldo employed a strategy based on offering financial services to the monarch when he needed them the most to then pressure royal officials, such as López del Campo, to offer conditions better than those offered by the Gentil-Centurione consortium. The

⁸¹⁸ 'AGS, EST, Leg. 137, 143' (Accounting record, 1559).

⁸¹⁹ Joanna of Austria to Philip II, 'AGS, EST, Leg. 137, 139'.

⁸²⁰ Cf. Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 147; Carlos Morales, *Felipe II*, 72.

convergence of interests between the private entrepreneur Grimaldo, on the one hand, and the royal institution of the *Factoría General*, on the other hand, resulted in the consolidation of a new system to finance the Hispanic Monarchy in the long term, based on funded debt.

Second, the correspondence of the members of the *Factoría General* demonstrates the existence of penalties related to organisations based on their reputation. The case study of the royal *factor* Silvestre Cattaneo illustrates this social mechanism. Although he was part of a formal institution dependent on the authority of the Hispanic sovereign, he still employed his social capital in the Genoese lending community to arrange new deals. When the *Factoría General* failed to service payments in Antwerp that Cattaneo had forwarded there, the reputation of Cattaneo and the institution he belonged to was damaged. The former friends and family of the royal *factor* stopped helping him, resulting in a lack of access to credit. In this sense, the agency of Cattaneo in managing the Genoese node of the *Factoría General* illustrates how formal and informal institutions, which were practically indistinguishable, cooperated and could punish each other.

The *Factoría General*, however, was not a stable institution as regards the behaviour of its members. Instead, their correspondence with the monarch and Francisco de Eraso demonstrates the existence of internal competition for control of the institution. The case of López del Campo analysed in this chapter reflects the divergence of interests. The individual private agenda of each of the members of the *Factoría General* was at stake if the other royal *factors* failed to perform their obligations, such as servicing bills of exchange linked to *asientos*. Reputation, therefore, was not an exclusive characteristic of informal institutions. Instead, the reputation of the *factores reales* was a double-edged sword. While the case study of Silvestre Cattaneo reflects the importance of reputation before exogenous organizations, the letters of the *factores* to Philip II and Eraso exemplify their need to retain a good reputation inside the royal administration. Trust among these officials was essential, though not critical, for the correct functioning of the financial services arranged in the *Factoría General*.

The *Factoría General* was only one institution among the complex set of royal officials in charge of making financial deals possible. Public notaries were also a central

piece of the mechanism because they provided long-term legal protection to the contracts and also issued reliable documents that created trust among distant communities and royal officials. The case study of the first *asiento* between Nicolao de Grimaldo and the *Factoría General* illustrates the importance of notaries. The mercy to export precious metals out of Castile required the collaboration of officials at the service of the regency to accompany the delivery, the presence of Grimaldo's representative, and the checking of the money on the border by local officials. The three actors needed the legitimation of a notary to proceed with their private business. In other words, notaries were a key actor that guaranteed operations with private property among formal and informal institutions, thus simultaneously participating in the funding of the Hispanic Monarchy.

Finally, apart from the agency of Nicolao de Grimaldo, the *Factoría General*, private business networks, and public notaries, there was another element that played an essential role in the performance of all these actors. War framed the relationship among individuals and the development of formal and informal institutions. The several requests for funds to support the military efforts resulted in a succession of events, in which the centre of decision-making was polycentric, dispersed but interconnected. The external threat of France, the Ottoman Empire, and the Papal States triggered the creation of the *Factoría General*, the resort to private financiers like Grimaldo, and the resulting participation of business networks and notaries related to the arrangement of *asientos* to fund the war. The role of international military conflict in state consolidation is, therefore, undeniable. However, the private interests of each of those individuals was what truly turned them into early modern state-builders.

PART 3
THE VIEW OF INVESTORS: CASTILIAN NOBILITY, CONVENTS AND
MERCHANTS IN GENOESE HANDS
(1556-1560)

Chapter 6. The creation of trust among bondholders through the distribution of *juros* in wartime: an overview of the investors.

This chapter illustrates how the royal administration raised money to reimburse old debts from the sale of transferable *juros al quitar* to private investors in a process intermediated by the Centurione consortium and Nicolao de Grimaldo together with his business partners from May 1558 onwards. The analysis of this process focuses on the strategies that the two Genoese lending groups employed to attract other Genoese and Castilian brokers, nobility, local officials, and corporations to invest in royal debt. In this sense, this chapter argues that financial mechanisms based on reputation, self-enforcement, and the diversification of risks were essential in preventing the Hispanic Monarchy from crumbling during the ongoing war. These three elements, however, were not exclusive to the Genoese lending strategies. Instead, the chapter shows that these mechanisms played a critical role in formal institutions, such as the *Factoría General*, and bondholders.

In effect, the institutional-based approach applied to the sale of transferable *juros* employed in this chapter sheds light on the influence that the interaction between formal and informal institutions exerted on the process of state construction. The main conclusion of this analysis is that these two institutional models were indistinguishable from each other and were influenced by the same determinants, which challenges the literature to consider this joint model as a precursor of economic development in early modern states. The sources that support this outcome vary from accounting reports that recorded the sales of *juros* and their allocation on royal incomes to notarial documents that reveal private agendas.

In terms of structure, the chapter is divided into two main parts plus conclusions. The first section analyses the *juros* given to the Centurione consortium for the *asiento* of 3rd March and its final amendments of 21st May 1558. The focus of this part is the transactions of *juros* at interest rates with between 5% and 7.14% that the consortium distributed among its clients. The second section of the chapter deals with an identical mechanism through the sale of *juros* assigned to Nicolao de Grimaldo for his *asiento* of 22nd May 1558. The analysis of bonds issued to reimburse the old debts of Grimaldo, the interest rates of which were established at 7.14%, 8.3%, and 10%, is the core part of this section. Finally, the chapter closes with brief conclusions that offer general thoughts on the two macro-operations and their impact on the process of state building from an institutional perspective.

6.1. A dynamic *asiento* with Costantin Gentile (3rd March – 21st May 1558): the recovery of 1.3 million ducats of old debts.

‘Se ha beneficiado buen golpe de dinero’: Costantin Gentil’s part:

The *asiento* the *Factoría General* signed on 21st May 1558 with Costantin Gentil and Lucian Centurione, as representatives of their consortium, was arranged at the court of the regent Joanna in Valladolid.⁸²¹ The contract stipulated a reimbursement of 800,000 ducats in exchange for the same sum of money to be placed in the Habsburg Low Countries at a lower interest rate than that initially negotiated in March.⁸²² In this sense, López del Campo was right to be proud when he wrote to the monarch about how the last deal had reduced the interests to be paid considerably.⁸²³ The deal consolidated the orders that Philip II issued at his court in Brussels on 1st May, which were intended to enforce the deal of 3rd March and its additions of 9th March. In this way, the *asiento* with Lucian Centurion in Castile was annulled while the monarch instructed the regent Joanna to reorganise the order of payment that he had sent to Castile on 9th March together with the new clauses.⁸²⁴

The *asiento* of early March, later amended, obliged Philip II to issue some payment orders for the consortium, charged to the general factor López del Campo in mid-March. The official, or more precisely his notary Geronimo Pardo Orense, registered a simplified copy of every royal instruction sent to them. There exist seven copies of those orders in the accounts of the notary, dated on 27th March, 13th August (triple), 15th November, 18th December, and 31st December 1558.⁸²⁵ After the enactment of the first document by the end of March, however, the royal accountants Diego Yañez, Hernando de Somonte, and Juan de Galdos pursued two investigations over the following months to calculate the final sum of old royal debts owed to the consortium up to the end of 1557.⁸²⁶

⁸²¹ Fernán López del Campo to Philip II, ‘AGS, EST, Leg. 129, 221’.

⁸²² Juan Vázquez de Molina to Philip II, ‘AGS, EST, Leg. 128, 280’, Letter, (27 May 1558).

⁸²³ ‘and according to what has been agreed, they must service the payments of May and July; from the interests there has been a great money boost -*buen golpe de dinero*- in a way to give a remedy to this business as it was necessary for Your Majesty’s service’ Fernán López del Campo to Philip II, ‘AGS, EST, Leg. 129, 234’, Letter, (24 May 1558).

⁸²⁴ The details of this new arrangement in Philip II to Joanna of Austria, ‘AGS, CJH, Leg. 34, 119’, Letter, (1 May 1558).

⁸²⁵ ‘AGS, DGT, Inv. 24, 1458’ n.d., secs 15, 28–29. The powers given to Pardo Orense that explain his role as supervisor and recorder of the *factor general* in ‘AGS, EST, Leg. 131, 23’ (Instruction, 1556).

⁸²⁶ References to these enquiries in ‘AGS, DGT, Inv. 24, 1458’, secs 28–29.

Their conclusions favoured the consortium because some old *asientos* were recognised and their unpaid reimbursements were progressively incorporated into the new deal of 21st May. As a result of this amendment, for example, the initial payment of 203,622,847 maravedis contained in the first instruction of 27th March, which was still based on the *asiento* of 9th March, was increased to 217,510,794. In other words, the adjustment in the payment due recognised an additional benefit worth approximately 37,000 ducats. Costantin Gentil and Lucian Centurione had demanded this inquiry into a small amount still owed to the consortium since May at the earliest.⁸²⁷ They estimated it at 60,000 ducats plus the 1.3 million already agreed. In this sense, they insisted on the recognition of more old debts, which finally reached 1.3 million ducats in 1560 after the consortium rejected the *encomienda* of Estepa in July and changed its mind in September.⁸²⁸

Besides the money owed to the consortium, its representatives also demanded efficiency and quick results.⁸²⁹ Therefore, they urged Philip II to order the accountant Diego Yañez to invest more time on their deal, something that the king accepted to maintain good terms with the consortium. The complaints from the lending group regarding the slow process of calculating /how much the monarch owed its members reflect once again how informal institutions dealt with higher authorities. Since Philip II was the only legal authority able to enforce the repayment of former debts, an informal institution like the Centurione consortium resorted to private correspondence rather than demanding the help of the Republic. The previous chapter also reflects this repetitive pattern when referring to the correspondence between Adam Centurione and Francisco de Eraso. In short, informal solutions were more common and effective than time-consuming appeals to formal institutions of justice.

Apart from these inquiries, it is noteworthy that the *asiento* of 21st May amended many of the clauses agreed on 3rd and 9th March. In July, the general factor wrote to Philip II about the consortium's rejection of the proposal to take Estepa, which obliged the rearrangement of a payment by other means instead. Therefore, the payment of their old debts should have been as follows: 400,000 and 700,000 ducats in *juros* at 5% and 7.14%

⁸²⁷ More details about their demands in 'AGS, EST, Leg. 131, 12' (Report, 1558).

⁸²⁸ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 221'; Fernán López del Campo to Philip II, 'AGS, EST, Leg. 130, 73', Letter, (9 August 1558); 'AGS, DGT, Inv. 24, 1458', secs 29–34.

⁸²⁹ 'AGS, EST, Leg. 131, 12'.

respectively; and the remaining 300,000 ducats in cash, plus the 800,000 ducats for the principal.⁸³⁰ The shift from payments in cash to the issuance of long-term debt bonds was a clear indicator of the severe scarcity of liquidity in the royal treasury, which had to resort to the investments of private savers to obtain cash to pay the debts to the consortium. A sign of this lack of liquidity could be seen in July, when the general factor had to reimburse 230,350,299 maravedis according to the payment order dated 27th March, but he only had 170,530,378 in hand by the end of that month.⁸³¹

The order of Philip II was to pay the principal, which was due by the end of July, with the moneys initially scheduled to reimburse old debts.⁸³² In this sense, we can observe the flexibility of these sorts of deals and how they adapted to the circumstances. The situation was difficult on all fronts of the Hispanic Monarchy, and any funds available were already earmarked. The French armies were reinforcing the borders with the Habsburg Low Countries while Philip II kept recruiting new troops and fortifying the zone near Calais, with both sides waiting for the final clash. In the meantime, the Ottoman fleet threatened the western Mediterranean Sea, which obliged Philip II to send help to Malta and to order the reinforcement of the coast.⁸³³

The sequestration of the funds assigned to pay old debts was simply necessary at this stage of the financial reform. However, it is equally important to know where those moneys came from. The distribution of *juros* at 5% interest, initially assigned to the consortium but later sold to private investors as a result of the new conditions after the agreement of 21st May, was organised in close collaboration with Lucian Centurione and Costantin Gentil.⁸³⁴ Once the final agreement of 21st May took place with the new clauses mentioned above, these two Genoese financiers sent letters of petition to the royal accountants Luis and Alonso de Peralta asking for the allocation of *juros* to their clients. In this process, the clients of the Genoese financiers paid the general factor in exchange for the debt title. Sometimes, the

⁸³⁰ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 221'.

⁸³¹ Carlos Morales also reaches this conclusion, though from the general accounts of the *factor general*. The difference with his study lies in the focus on this case-study about the *asiento* with the consortium to obtain a more detailed analysis. See Carlos Javier de Carlos Morales, *El Precio Del Dinero Dinástico: Endeudamiento y Crisis Financieras En La España de Los Austrias, 1557-1647. Vol. 1* (Banco de España, 2016), 87.

⁸³² In the instruction of 27th March, Philip II ordered the *factor general* to take part of the money raised from the sale of *juros* at 5% interest. These debt titles were initially intended to repay old debts, as it is seen in some clauses of the *asiento* of 3rd March. See 'AGS, DGT, Inv. 24, 1458', sec. 28.

⁸³³ Michiel Surian to Doge and Senate of Venice, 'CSP, Venice, Vol. 6, 1200', Letter, (20 March 1558).

⁸³⁴ 'AGS, DGT, Inv. 24, 1458', secs 29–34.

Genoese lenders specified in their letters which royal income should back these *juros*, though this was not very frequent. In order to fill this gap in the information, it is necessary to check the reports of the Council of Finances.⁸³⁵

The payment and distribution of juros at 5% annual interest:

Thanks to these documents we can analyse the distribution of the debt bonds at 5% and the payment orders that the royal administration issued between August and December 1558. An accounting report, probably written in 1559, reflects the payments López del Campo made to Costantin Gentil with the money the royal *factor* had raised from the sale of *juros* at 5% interest in 1558.⁸³⁶ The report acknowledged five payment orders from Philip II to López del Campo, which recorded the payment of 39,192,000 maravedis (104.512 ducats) by the end of December 1558. In other words, just a quarter of the 400,000 ducats promised to Gentil as part of the compensation in exchange for the failed sale of the encomienda of Estepa were delivered to the lender.

The funds that López del Campo employed to pay Costantin Gentil were raised from the sale of *juros* at 5%, whose trace seems to end in the letters of petition that Gentil and Lucian Centurione sent to the royal accountants to earmark a specific part of the earnings on royal incomes to a prospective bondholder. Chart 4 demonstrates that eight out of ten investors were Genoese, and some of them were part of the consortium (Costantin, Lucian, and Benito). The largest share of the entire sale corresponds to Costantin Gentil (26%), which means that he had enough liquidity to pay almost 26,790 ducats for his *juro* in exchange for an annual interest of almost 1,340 ducats. The payment by Costantin Gentil together with those by the other Genoese comprised 79% of the entire sale, which resulted in an investment of 83,178 ducats out of 104,512. This financial effort demonstrates that the Genoese lending community had not yet been ruined, as the main lending houses from Genoa foresaw when the debt consolidation took place the previous year.⁸³⁷

⁸³⁵ An overview of the royal incomes where Costantin Gentil had allocations available and the investors who took them can be found in 'AGS, CJH, Leg. 35, 89' (Report, n.d.).

⁸³⁶ 'AGS, DGT, Inv. 24, 1458', secs 15–16.

⁸³⁷ Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 78'.

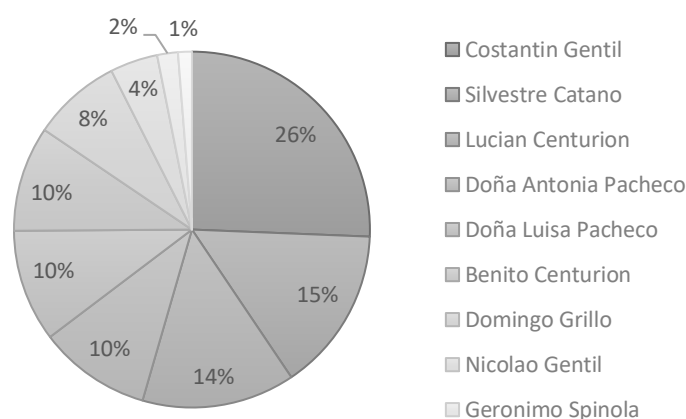


Chart 4. Distribution of juros at 5% interest rate sold by López del Campo on the asiento with the Gentil-Centurione consortium of March 1558. Source: AGS, CJH, leg. 35, pp. 76, 82, 85, 96.

The fact that members of the consortium held 50% of the bonds may be reflected in the weak ability to attract investors, which could be related to the interest those bonds generated. In the following pages, it will be seen that *juros* at higher interest rates seem to have been more attractive to prospective bondholders. The fourth chapter of this dissertation has already analysed the alarming situation in Genoa when the royal short-term debt was consolidated into bonds at 5% interest.⁸³⁸ Genoese financiers complained that nobody would invest in those bonds, which would bankrupt many of their lending companies. The re-issuance of *juros* at 5% interest a year later could have increased the transaction costs for the consortium in terms of the net benefit for their fees of intermediation and the search for prospective investors willing to take those poorly rated *juros*.

It is precisely on these uncertain grounds for both investors and intermediaries where reputation becomes a decisive element. The large presence of Genoese bondholders in the sale reflects an effective coalition organisation model in which the Genoese investors trusted one another. The reputation of the Centurione consortium, based on repeated successful operations and a lack of deceitful practices, made the operation viable. The inherent system of penalty, based on the use of correspondence and the flow of information, punished dishonest members of the community.⁸³⁹ The example already analysed in the previous chapter with Nicolao de Grimaldo and the complaints of Adam Centurione about the *asiento*

⁸³⁸ Ibid.

⁸³⁹ On the importance of the information flow in pre-transaction stages, see Yousuf, 'Transaction Costs', 136.

of 22nd May 1558 prove this point and suggest a model of self-enforcement among individuals to avoid cheating one another. If Costantin Gentil or Lucian Centurione, the members of the consortium that organised the distribution of the bonds, involved their fellows in an over-risky operation, those intermediaries and their consortium would probably be banned from participating in any new deals that the community arranged in the long run.⁸⁴⁰

The presence of members of the Centurione consortium in the operation, nonetheless, is a clear sign of the difficulties that the business group faced to distribute bonds at a 5% interest rate in the secondary debt market. Since this operation with low-rated and transferable *juros* was relatively new to the Genoese coalition, the need to create a trustworthy asset explains why the consortium held a share of 50% in the operation. Therefore, the creation and reinforcement of reputation-based models of business organisations in the early modern period were linked to the sharing of risks with equal conditions. If Philip II failed to service his debt bonds, it meant that the consortium and the other bondholders would lose their investments.

By contrast to the almost exclusive participation of Genoese financiers, the presence of two Castilian noblewomen in the operation offers much insight. They were the daughters of Don Diego López Pacheco, duke of Escalona and third marquis of Villena. According to the accounts of López del Campo, their father also acquired another pair of *juros* with a higher interest rate for his other daughters, Inés and María.⁸⁴¹ The letters of Lucian Centurione to the royal accountant in charge of issuing the *juros* show that Lucian, rather than Costantin Gentil, organised the sale of debt titles to this family.⁸⁴² In other words, Centurione had the necessary social links to reach these noblewomen, or at least their father. The participation of the Pacheco family with a fifth of the sale of *juros* at 5% plus another investment in higher-rated *juros* suggests a private arrangement between the consortium and the duke, framed by the personal agenda of the latter.

⁸⁴⁰ The system of organisation and punishment was very similar to that of the Maghribi traders studied by Greif. See Greif, *Institutions and the Path to the Modern Economy*, 58–59.

⁸⁴¹ Lucian Centurione to Licenciado Montalban, 'AGS, CJH, Leg. 35, 85', Letter, (1558).

⁸⁴² The four daughters began to receive their yields at the fairs of May and October 1559. See 'AGS, EMR, Leg. 440' (Accounting record, n.d.).

The payment and distribution of juros at 7.14% annual interest:

Leaving aside the operations related to the *juros* at 5% as part of the reimbursement for old debts to Costantin Gentil and the consortium, the *Factoría General* promised 700,000 ducats in *juros* at 7.14%. Using the same mechanism that was employed with the *juros* at 5% interest, Philip II sent payment orders to López del Campo between August and December 1558 to service his debts with the consortium.⁸⁴³ That general operation of 1558 generated 176,373,660 maravedis (470,329 ducats), which covered more than half of the money promised in this way, and a third of the 1.3 million ducats recognised. However, the money was not distributed evenly. A note in the margin of one of the documents warns the reader that the 176.3 million maravedis were shared between Costantin Gentil on the one hand, and Lucian, Bautista, Benito, and Cristobal Centurione on the other (see table 5).

Payments to Costantin Gentil	Payments to the Centurione
<u>13th August:</u>	
<ul style="list-style-type: none">72,846,436 maravedis (194,257 ducats),38,978,200 maravedis (103,941 ducats)	
<u>15th November:</u>	
<ul style="list-style-type: none">37,500,000 maravedis (100,000 ducats)	
<u>18th December:</u>	
<ul style="list-style-type: none">19,316,220 maravedis (51,509 ducats)	
<u>31st December:</u>	
<ul style="list-style-type: none">7,732,804 maravedis (20,620 ducats)	

Table 5. Payments by López del Campo to the Centurione consortium from the sale of *juros* at 7.14% to reimburse 176,374,660 maravedis. Note: the conversion to ducats is rounded. Source: AGS, DGT, I-24, leg. 1458, sec. 29

The order of 13th August, which instructed the general factor to pay 103,941 ducats to Costantin Gentil, shows the importance of checking the small print in these sorts of documents. This operation, as had happened with the others, specified which old debt was being paid to the lender. In this case, the liquidation of this debt referred to an *asiento* that Costantin Gentil had arranged jointly with Juan Flemingo to service the 100,000 escudos to the sovereign. The details included in this entry allow for a better identification of Flemingo, who lived in Antwerp and was a representative of Gaspar, Melchor, and Balthasar Schetz.

⁸⁴³ 'AGS, DGT, Inv. 24, 1458', secs 29–34.

These three brothers were important Brabant financiers, of whom Gaspar became the first royal factor in Antwerp by 1556, as mentioned in the second chapter.⁸⁴⁴

The powerful Schetz family served emperor Charles V in clear competition with Genoese, German, and Castilian lenders during the first half of the sixteenth century. It is surprising at first sight that Costantin Gentil, an important member of the consortium, joined forces with a direct competitor while the classic historiography dealt with in the first chapter claims an aggressive strategy on the part of the Genoese community to take over from the rest of the lending houses.⁸⁴⁵ The *asiento* arranged between Fleming and Gentil challenges that theory and poses new questions about how Gentil and the Schetz shared a contract, besides the details about their share in the operation and if they worked together to obtain the subsequent due reimbursement.⁸⁴⁶

Apart from the exogeneous operation between Gentil and another lending group outside the Genoese coalition, another payment order issued by Philip II on 18th December 1558 contributes to our understanding of early modern financial strategies.⁸⁴⁷ The payment order referred to another joint *asiento* of 100,000 ducats, though this time the contract was signed between Costantin Gentil and Felipe Spinola. This deal reveals two important elements to be considered. First, it took place on 3rd July 1554, whereas the order for its reimbursement was not issued until four years later.⁸⁴⁸ In this sense, the inability of the royal treasury to assume its debts until four years after the arrangement of the contract is representative. This payment reflects the fact that the Hispanic Monarchy, notwithstanding its late reimbursements, paid its debts. In other words, this early modern state was able to protect private property in the long term. The issuance of legal documents like the payment order

⁸⁴⁴ A short reference to the lineage of these three brothers and the importance of the Schetz in the royal finances in Tracy, *Emperor Charles V, Impresario of War*, 99–101.

⁸⁴⁵ Felipe Ruiz Martín, *Pequeño capitalismo, gran capitalismo: Simón Ruíz y sus negocios en Florencia* (Crítica, 1990), 11.

⁸⁴⁶ The *asientos* recorded by Carande do not contain the joint *asiento*, though it seems that it could be operations 448, 458, and 488. These three entries, which correspond to the years 1555 and 1556, refer to a single deal of 50,000 ducats paid to Prince Philip. Further investigation into this operation could provide details of an important long-term alliance between the Schetz and the consortium. No other source consulted contains a reference to this joint *asiento*. See Ramón Carande, *Carlos V y sus banqueros. Los caminos del oro y de la plata (Deuda exterior y tesoros ultramarinos)*, vol. 3 (Barcelona: Crítica, 1987), 496.

⁸⁴⁷ 'AGS, DGT, Inv. 24, 1458', sec. 29.

⁸⁴⁸ Carande Thovar, *Carlos V y sus banqueros*, 1987, 3: Los caminos del oro y de la plata:486.

and the *averiguaciones* (accounting enquiries) made by royal accountants such as Diego Yáñez, were mechanisms to enforce all the conditions of those contracts.

The existence of these extremely delayed reimbursements linked to short-term operations prior to the consolidation of debt in June 1557, in which Genoese brokers channelled the savings of their clients to provide them with short-term returns, reinforces the argument about how risky the situation was for financial intermediaries. The clients of Genoese brokers were a legal threat if they opted to enforce their contracts at home.⁸⁴⁹ However, the ability of lenders such as Costantin Gentil and Lucian Centurion to ensure new deals in which the payment of old debts was effectively dispatched seems to have solved the problem of uncertainty.

Notwithstanding the solution the consortium provided in 1558, it is representative that Felipe Spinola desisted from working with Costantin Gentil from 1554. The reputational element, already mentioned earlier in this chapter, seems to have encouraged Spinola to shift sides to a competitor of the consortium. The fifth chapter of this thesis has already pointed to the fact that Felipe Spinola collaborated with Nicolao de Grimaldo and Vicencio Imperial in the *asiento* arranged on 22nd May 1558.⁸⁵⁰ Felipe Spinola's change of sides is remarkable, especially since he and Gentil had been educated together and collaborated for important deals prior to 1554, such as the special arrangement agreed in August 1553 to avoid the royal financial collapse analysed in the fourth chapter.⁸⁵¹

The failure of Gentil to obtain an effective reimbursement of those debts in his *asiento* of March 1557, plus the subsequent rescheduling in June later that year, seems to have pushed Spinola to shift sides and start working with a direct competitor of the consortium. The reaction of the consortium was immediate since Costantin Gentil and Lucian Centurione wrote to the Council of Finances with the aim of obtaining the same conditions for the reimbursement of old debts that Nicolao de Grimaldo had obtained for his *asiento* of 22nd May 1558.⁸⁵² The same document demonstrates that the Council of Finances agreed with the petition of the consortium. The institutional acceptance restored the equilibrium in the

⁸⁴⁹ The ambassador to Genoa had warned about this possibility in 1557. See Gómez Suárez de Figueroa to Philip II, 'AGS, EST, Leg. 1386, 78'.

⁸⁵⁰ Nicolo Cataneo to Francisco de Eraso, 'AGS, EST, Leg. 1387, 29'.

⁸⁵¹ Carande Thovar, *Carlos V y sus banqueros*, 1987, 3: Los caminos del oro y de la plata:406 and 482.

⁸⁵² 'AGS, EST, Leg. 131, 12'.

financial market through the homogenisation of the regulation on competition that Adam Centurione had been demanding since June in private correspondence with the monarch.⁸⁵³ The subsequent distribution of *juros* at 7.14% illustrates how beneficial the new royal policy was for the consortium.

The new regulation facilitated the sale of *juros* at a higher interest rate than the previous batch at 5%. According to an accounting report on the sale of *juros* at 7.14%, dated 5th October 1559, Costantin Gentil and Lucian Centurion did not receive the same amount of money because their participation in the contract was uneven. Whereas Gentil's reimbursement amounted to 370,332 ducats, Centurione received 100,000 ducats.⁸⁵⁴ Chart 5 illustrates how Costantin Gentil held more than a quarter of the old debts owed to the consortium, which reflects the importance of this lender in the Centurione network. Therefore, the recovery of old debts was a private goal for Costantin Gentil, whose investment is considerable if compared to other members of his political family such as Lucian Centurion and his 7% share.

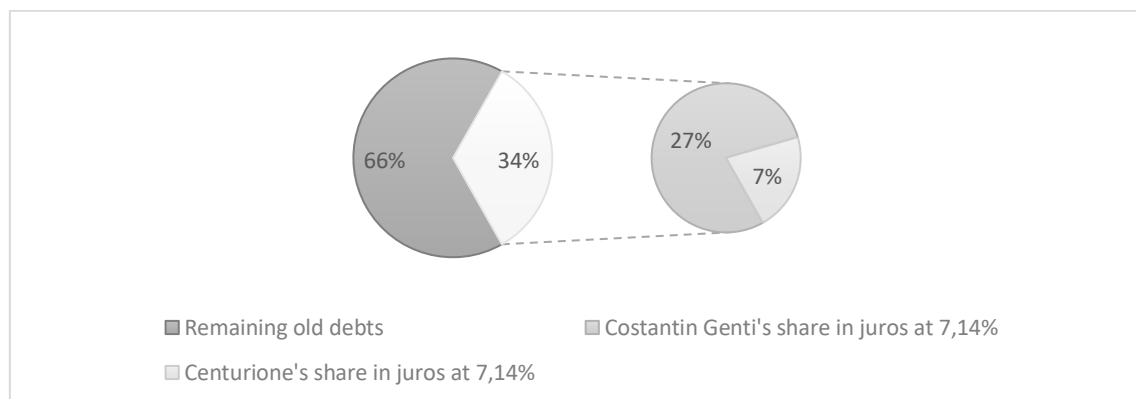


Chart 5. Shares of Costantin Gentil and Luciano Centurione charged to the *juros* at 7.14% according to the *asiento* of 21st May 1558 on a recognised debt of 1.3 million ducats. Source: AGS, DGT, I-24, 1458, sec. 29.

The distribution of those *juros* at 7.14% in the secondary debt market was recorded in two reports for the years of 1558 and 1559, demonstrating that the consortium was unable to distribute all these debt bonds in a single year.⁸⁵⁵ The fact that there were two *asientos* draining liquidity from the secondary market from May 1558 might explain the scarcity of investors and the limited social capital of the Genoese business networks. Nevertheless, Nicolao de Grimaldo was more skilful in distributing his *juros* among private investors than

⁸⁵³ Adam Centurione to Francisco de Eraso, 'AGS, EST, Leg. 1387, 89-90'.

⁸⁵⁴ 'AGS, DGT, Inv. 24, 1458', sec. 29.

⁸⁵⁵ Ibid., secs 29-34; 'AGS, DGT, Inv. 24, Leg. 491'.

the consortium. The better conditions that Grimaldo could offer to his clients may have made him more competitive than the consortium, especially until the Council of Finances agreed to give them identical concessions.⁸⁵⁶

The sale of those debt titles at 7.14% generated approximately 470,332 ducats, which were entitled to the consortium in 327,583 ducats (circa 70%) and 142,746 ducats (circa 30%) in 1558 and 1559 respectively. The numbers indicate a relative success for the consortium. In six months (21st May-31st December 1558), it placed more than two thirds of the debt on the market. Simultaneously, the consortium was also trying to distribute the *juros* at 5%, as analysed above. The simultaneous process of selling meant that the debt titles with a 5% interest were less attractive and, therefore, were sold after those at 7.14%. The shareholder Nicolao Gentil Hodon, for example, did not acquire his *juro* until the end of November 1558.⁸⁵⁷ As in the sale of *juros* at 5%, most of the investors were also Genoese and a large share of the money raised came from members of the consortium.

Chart 6 identifies thirty bondholders for 1558 and organises their *juros* in relation to the entire account. Twenty-seven investors were Genoese, which reinforces the existing literature about the use of strategies based on syndicated lending inside this community.⁸⁵⁸ Although Diego de Bernuy, a Castilian businessman, purchased the *juro* with the largest share in a single operation, there is one debt holder who surpassed him through multiple operations: Benito Centurione. This member of the consortium obtained 15.77% of the operation, in contrast with Bernuy's 12.82%, through the acquisition of three *juros*. Once again, a member of the consortium led the bidding for the debt titles.

⁸⁵⁶ 'AGS, EST, Leg. 131, 12'.

⁸⁵⁷ 'AGS, DGT, Inv. 24, 1458', sec. 15.

⁸⁵⁸ Drelichman and Voth, *Lending to the Borrower from Hell*.

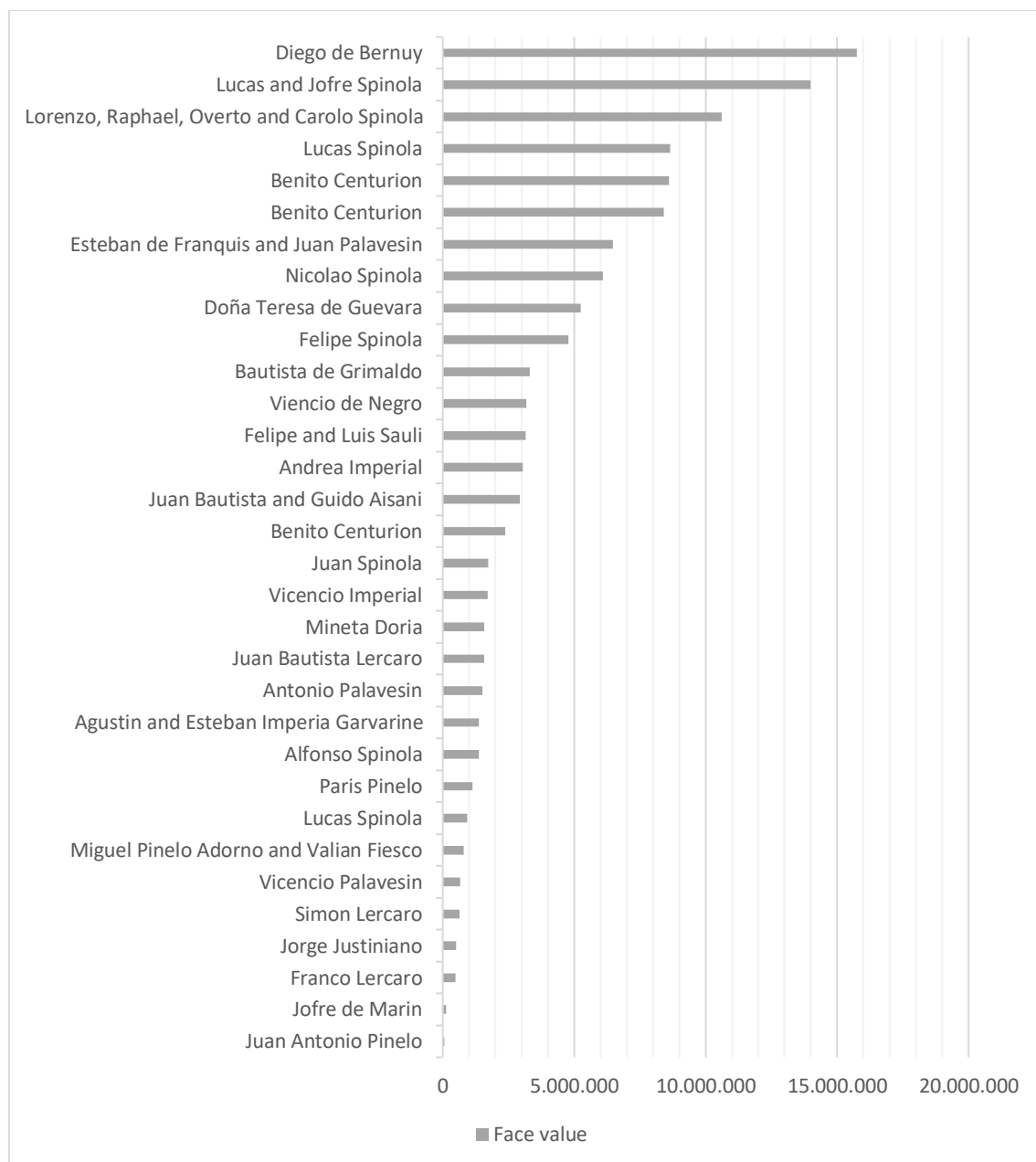


Chart 6. Juros at 7.14% sold in 1558 on the *asiento* of 21st May 1558 with the consortium (in maravedis). Source: AGS, DGT, I-24, leg. 1458, secs. 29-34.

The findings of this crossed-data analysis reinforce this chapter's theoretical proposal regarding the consortium's strategy to take the largest share of an investment so as create trust among fellow investors. The almost simultaneous agreement in Valladolid and Brussels of the *asientos* signed on 2nd and 3rd March 1558 had created a situation of financial uncertainty, which logically hampered the role of brokers. While the regent Joanna celebrated the *asiento* arranged on 2nd March with the consortium, which had drawn the attention of other lenders to propose new deals, López del Campo was commenting on the great damage

to the royal reputation.⁸⁵⁹ Therefore, the role of Benito Centurione seems to have consisted of providing trust to investors and reinforcing the reputation of the consortium.

Apart from the strategy of the consortium in the sale, the presence of members of the main Genoese families, such as the Doria and Spinola, is representative of the social links the consortium had.⁸⁶⁰ Felipe Spinola, the old colleague of Costantin Gentil and new business partner of Nicolao de Grimaldo, acquired a 3.89% share of the sale. The participation of Spinola in the sale of *juros* at 7.14% and the absence from that sale of *juros* at 5%, clearly shows his ongoing process of shifting alliances. Apart from Spinola, other names deserve special mention. Vicencio Imperial, another business partner of Nicolao de Grimaldo, acquired 1.4% of the batch. The presence of Spinola and Imperial in the sale, notwithstanding their modest investments compared to other lenders, illustrates the Genoese strategy based on the diversification of risks. In effect, Spinola and Imperial invested in royal debt in two different ways. They participated in the principal for the *asiento* with Grimaldo, but they also invested in *juros* distributed by the Centurione consortium. In this sense, the internal competition within the Genoese coalition becomes blurred when private interests are examined.

Notwithstanding the majority participation of the Genoese lenders, the Ligurian community was not the only 'national' group present in this sale. There were also two Castilians and two investors from Milan: Diego de Bernuy and Doña Teresa de Guevara on the one hand, and Juan Bautista and Guido Aisani on the other. Bernuy was an important businessman and *councilman* (*regidor*) of Burgos, the so-called 'head of Castile' because of its political and economic importance in the kingdom.⁸⁶¹ Doña Teresa de Guevara, wife of the knight commander and *regidor* of Toledo Rodrigo Niño, was one of the two female investors of the group, the other being the Genoese Mineta Doria.⁸⁶²

The presence of women among the investors at this early stage of the new financial system in the Hispanic Monarchy was unusual, at least in the sources consulted. Were women

⁸⁵⁹ Joanna of Austria to Philip II, 'AGS, EST, Leg. 130, 159', Letter, (13 March 1558); Fernán López del Campo to Philip II, 'AGS, EST, Leg. 129, 234'.

⁸⁶⁰ An overview of these families in Sanz Ayán, *Un banquero en el Siglo de Oro*, 42–45.

⁸⁶¹ An interesting study about his importance for the international economy in Selma Huxley, 'Diego de Bernuy: ejemplo de un mercader no lanero', in *Historia de Burgos*, vol. 3 (Caja de Burgos, 1992), 193–229.

⁸⁶² A copy of Doria's debt bond in 'AGS, CME, Leg. 481, 54' (Juro file, 6 October 1558). Evidence that she started receiving the interest at the May 1559 fair in 'AGS, EMR, Leg. 440'.

allowed to invest? The answer depends on the region of study. Recent literature stresses that several female investors in long-term debt bonds pursued the safeguard of the family patrimony, especially but not exclusively through the creation of dowries.⁸⁶³ Since the Republic of Genoa and the Hispanic Monarchy were two different polities, they had their own laws regarding the rights of women to access credit markets. Genoa progressively prevented women from participating in credit markets without the agency of a male relative, through the enactment of laws between the twelfth and thirteenth centuries.⁸⁶⁴ The Hispanic Monarchy, by contrast, was less restrictive in this regard, allowing women to participate in the economic life and defend their patrimony in lawsuits.⁸⁶⁵ In this sense, it is more common to find Castilian noble women and nuns investing in royal debt than their Genoese counterparts, a fact that speaks to their economic role in their respective communities.

To return to the different groups of investors, the Aisani belonged to the Milanese lending community. Once again, the Centurione consortium collaborated with exogenous members of the Genoese coalition, which is not new since they repeated this strategy with the Schetz family. The sporadic collaboration with theoretical competitors, therefore, was more frequent than has been considered. However, the presence of Milanese financiers in these accounts is not strong. Indeed, the sale to the Aisani consisted of a shared *juro*, which indicates that only a joint investment enabled these financiers to participate. The reason for this shared investment may not have been a weak financial position but limited social capital. In effect, the theory of syndicated lending also suggests that the Genoese community was a close-knit group. In other words, it was not permeable and hence difficult for other lenders to join them. The case study of the Aisani is simply the exception that confirms the rule.

The remaining *juros* at 7.14%, which amounted to 142,746 ducats, are registered in a receipt from 1559.⁸⁶⁶ Chart 7 shows a different type of sale from the previous two. In this case, the Genoese presence is weaker, though Lucian Centurion and Costantin Gentil kept the

⁸⁶³ Elise M. Dermineur, ed., *Women and Credit in Pre-Industrial Europe*, Early European Research 12 (Turnhout, Belgium: BREPOLs Publishers, 2018); Amy M. Froide, *Silent Partners: Women as Public Investors during Britain's Financial Revolution, 1690-1750*, First edition (Oxford; New York, NY: Oxford University Press, 2017).

⁸⁶⁴ Denise Bezzina, 'Married Women, Law and Wealth in 14th-Century Genoa', *Mélanges de l'École Française de Rome - Moyen Âge*, no. 130–1 (2018): 121–35.

⁸⁶⁵ David Carvajal de la Vega, 'Crédito privado en Castilla a fines del siglo XV. Una introducción a su estudio', *Anuario de estudios medievales* 47, no. 1 (2017): 19–21.

⁸⁶⁶ I have reconstructed it through the letters of petition that Costantin Gentil and Lucian Centurione sent to the Council of Finances. See them in 'AGS, CJH, Leg. 35' n.d.

largest share with 14% each. Their investment slightly surpassed that of Domingo Grillo, another important Genoese financier already seen in the sale of *juros* at 5%. Indeed, apart from these three people there were other investors from the previous sales, such as Juan Antonio Pinelo, Felipe Spinola, Nicolao Doria, and Doña Teresa de Guevara.

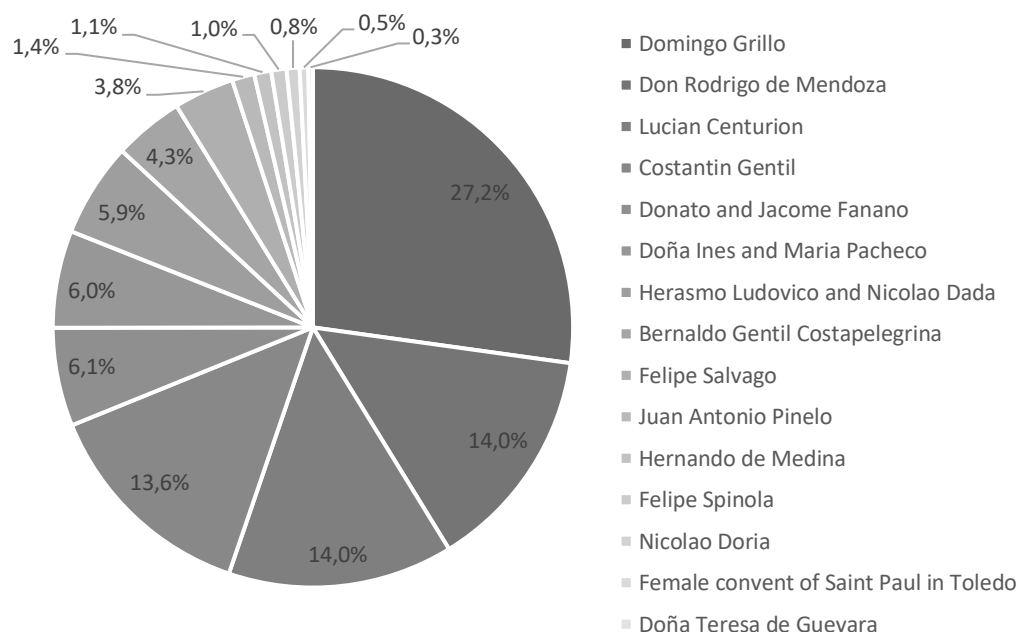


Chart 7. Distribution of *juros* at 7.14% interest from the receipt of 53,529,761 maravedis of 1559 taken from López del Campo in relation to the *asiento* of 21st May 1558 with the consortium (bondholders organised by share of the sale). Source: AGS, CJH, leg. 35.

Among the new names, three bondholders are noteworthy.⁸⁶⁷ First, Don Rodrigo de Mendoza, a member of the thriving Mendoza family, which occupied prominent positions in the defence of the Hispanic Monarchy. Interesting examples of his relatives are the temporary governor of Siena (Francisco de Mendoza y Bobadilla), the commander of the galleys in the Mediterranean (Bernardino de Mendoza), the ambassador in Portugal (Juan de Mendoza y de Rivera), and the president of the Council of Italy (Diego Hurtado de Mendoza y de la Cerda). The purpose of Rodrigo's *juro* is unknown, though his participation alone represented the second largest share in the sale.

Second, Doña Inés and María Pacheco were sisters of Antonia and Luisa Pacheco, whom we included in the sale of *juros* at 5%. They were all daughters of the duke of Escalona, who seems to have been the link between the women and their brokers. Further investigation

⁸⁶⁷ Donato and Jacome Fanano also deserve a side note as they were Milanese, the second case of investor in this sale of *juros* at 7.14%. Their presence demonstrates the interest of these Lombardian financiers in the new system of financing the Hispanic Monarchy.

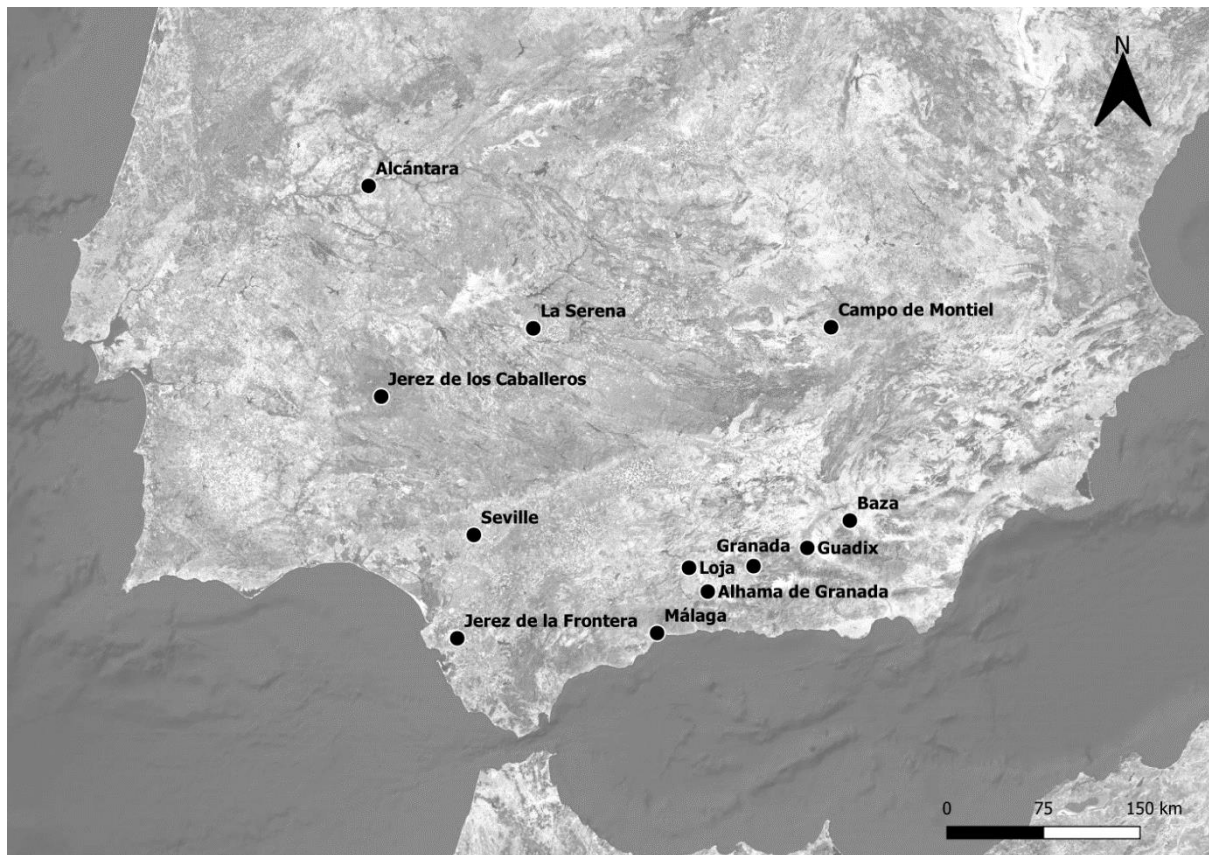
may reveal who actually paid for the acquisition, which in turn will provide a better approach to the identity and role of women as investors during the stabilisation phase of the financial transformation.

Third, the female convent of San Pablo in Toledo became an institutional bondholder, though only once its abbess died. The presence of religious institutions such as this female convent is unusual but important for their economic communities. The seventh chapter of this dissertation analyses the role of convents for local credit flows in more detail. In brief, they were the guardians of local liquidity and issued microcredits to local people while they increased and expanded their assets through the incorporation of new nuns from powerful local families.⁸⁶⁸

For the Centurione consortium to be successful in its distribution of long-term royal debt bonds, at either 5% or 7.14%, the business group had to offer trustworthy royal incomes to back those debt titles. The analysis of this economic relationship between debt and taxes reveals why bondholders may have been interested in earmarking their *juros* to specific incomes. Map 2 shows that most of the investments were charged on revenues collected in Andalusia, especially in the Kingdom of Granada including Malaga. This means that the clients registered in the previous sales had an interest in acquiring a regular income coming from these cities and towns.

More specifically, bondholders used to invest in already agreed taxes with representative local institutions, such as the general capitation (*encabezamiento general*) on *alcabalas* and *tercias*. The fact that the city councils managed the collection of these taxes turned those institutions into privileged spaces that could ensure the profitability of investments. This seems to be one of the reasons why many bondholders were local councillors, especially in the deals with Nicolao Grimaldo discussed in the next section. The following examples illustrate some of those cases.

⁸⁶⁸ Kathryn Burns, *Colonial Habits: Convents and the Spiritual Economy of Cuzco, Peru* (Durham, NC: Duke University Press, 1999), chap. 5; Ángela Atienza López, *Tiempos de conventos: una historia social de las fundaciones en la España moderna* (Madrid: Marcial Pons Historia; Universidad de La Rioja, 2008), 319–20.



Map 2. Cities whose contribution to the general capitation supported the earmarking of *juros* from the *asiento* signed with the Centurione consortium on 21st May 1558. Sources: AGS, CJH, legs.34-35.

The *tercias*, a production tax that consisted of two ninths of the tenths that the Church collected in the ecclesiastical provinces, was one of the duties most valued by bondholders. The collection of this tax was managed by cathedral canonries or territorial lords.⁸⁶⁹ The absence of royal officials from this process illustrates once again the integration between formal and informal institutions, namely the public corporations in charge of the collection and the financial networks that distributed royal debt respectively. The Genoese and Milanese investors of the sales preferred to use this income to back their debt titles in cities such as Granada, Malaga, or Seville, where the Genoese diaspora had already penetrated the local councils and their presence was consistent. Some examples, including some Castilian cases, were Mineta Doria and Vicencio de Negro (Granada), Doña Luisa Pacheco and the Milanese shared *juro* of Juan Bautista and Guido Aisani (Malaga), and Felipe and Luis Sauli (Seville).

⁸⁶⁹ Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 172.

The *alcabalas*, a sales tax, was another duty very much in demand by investors. Most of the allocations on this royal income were placed on Jerez de la Frontera, in the modern province of Cadiz. Important brokers were also interested in this revenue, such as Bautista de Grimaldo (brother of Nicolao de Grimaldo), Simon Lercaro, Lucas Spinola and Antonio Palavesin. Some *alcabalas* from minor towns were also attractive to certain clients, such as Agustin and Esteban Imperial (Loja and Alhama), and Doña Antonia Pacheco (Guadix and Baza).

The last important tax in these operations was another sales duty called *Almojarifazgo Mayor de Sevilla*, which was charged on all exports from the kingdom except for those going to America.⁸⁷⁰ This duty was collected in the city of Seville and drew the attention of many Genoese financiers, such as Franco Lercaro, Jofre de Marin, and the brothers Lorenzo, Raphael, Overto, and Carolo Spinola. It was also the chosen royal rent for Doña Teresa de Guevara, who resided in Toledo, which meant that she had the means to collect the earnings that the *juro* generated.

Through this brief walk around the south of Castile, the area of influence that the clients of the consortium and some of its premium members pursued when investing in royal debt has been sketched. There was a prominence of Genoese financiers, though there were also some exceptions. Women, notwithstanding the laws that hampered their participation in credit markets, would invest either alone or as a religious institution, and they had mechanisms to collect their interest in other regions of the kingdom. Finally, the Genoese community was permeable enough to accept traditional competitors from the Habsburg Low Countries (Schetz) and Andalusia (Milanese diaspora). After all these details about how the Centurione consortium worked during this period of financial instability, it is time to review the operations of the main competitor of this business group: Nicolao de Grimaldo.

⁸⁷⁰ For America there was another tax called *Almojarifazgo Mayor de Indias*.

6.2. The first individual *asiento*: the people behind the million escudos for His (absent) Majesty

This contract, signed on 22nd May 1558 with Nicolao de Grimaldo, has a special significance because it was the biggest agreement done with a single Genoese financier for an extraordinary amount of money after the suspension of payments in 1557. Leaving aside the deals with the members of the Centurione consortium, such as the *asientos* of 1st February and 2nd March 1558, another individual *asiento* had been signed in March 1558 with Tomasso Fiesco. However, the financial service was worth 15,000 escudos, a very different figure from the million escudos that Grimaldo offered.⁸⁷¹ Apart from the size of the principal and the conditions of its delivery and reimbursement, which have been examined in the previous chapter, this deal was the first that received a mercy to reimburse 500,000 ducats of old debts entirely through the issuance of transferable *juros* rather than cash.⁸⁷² The change of financial policy seems to have been beneficial to the royal administration because no liquidity was available.⁸⁷³

The *juros* that Grimaldo received thanks to the new royal policy had better interest rates than those initially given to the Centurione consortium in their *asiento* of 21st May, a difference already explained earlier in this chapter. From the 500,000 ducats promised to Grimaldo in transferable *juros*, one half was issued at 7.14% interest, one quarter at 8.3% and 10% respectively. In addition to the 500,000 ducats, the *Factoría General* granted Grimaldo another 40,000 ducats in *juros* at 5% interest (*20,000 al millar*) as interests for the unpaid old debts. Notwithstanding that the deal avoided the disbursement of cash in the short run, Philip II would supposedly redeem (*consumirlos*) the debt titles in the future to recover the incomes earmarked to service those *juros*.

The three groups of *juros*, transferable by renunciation and sale even if the purchaser was a foreigner, were payable from January 1558 onward. Therefore, whoever held the bonds could start receiving their *rendimientos* almost immediately. Apart from being able to sell his *juro* in the secondary debt market, Grimaldo could request to transfer (*mudar*) the *juros* to other royal incomes with the petition of the holder and a concession from the royal administration. In other words, Grimaldo was not only an intermediary in the short term

⁸⁷¹ Carlos Morales, *Felipe II*, 55 and 72.

⁸⁷² Fernán López del Campo, 'AGS, EST, Leg. 129, 233'; 'AGS, CJH, Leg. 34, 116'.

⁸⁷³ Carlos Morales, *Felipe II*, 57.

through the sale of *juros*, but also in the long term as a link between investors and the royal administration. Thanks to the remarkable conditions he was granted for the distribution of his old debts, Grimaldo could rapidly start disbursing part of his obligations to Philip II. The following section addresses the sale of the *juros* linked to old debts.

Attracting private savings:

Although the historiography has shown that the Genoese diaspora was a mere intermediary between royal institutions and private savers, the identity of the bondholders has usually remained unknown.⁸⁷⁴ As a result, it is impossible to establish whether those anonymous investors were sporadic or repeat actors, relatives or friends of the moneylenders, or simply strangers who were introduced by someone else, such as notaries.⁸⁷⁵ Among all these elements, the continued collaboration between broker and investor over the long term helps to discern whether there was a social network or not and what its characteristics were. Neither the sale of *juros* from this *asiento* nor the sources derived from it can offer a complete picture of the investors. However, the sources offer a starting point for future research.

Nicolao de Grimaldo intermediated in the sale of the entire mercy of 540,000 ducats through 64 transactions, which were roughly worth 458,000 and 82,000 ducats between 1558 and 1559.⁸⁷⁶ In other words, Grimaldo distributed almost 85% of the old debts that the royal administration conceded to him in less than seven months. Chart 8 shows the number of sales organised by interest rate. From the 64 sales of the *juros* that Grimaldo intermediated, 44% of the total were linked to *juros* at 10%, 18% to *juros* at 8.3%, and 38% to bonds at 7.14%. These percentages suggest that Grimaldo was interested in attracting a large number of investors rather than concentrating the sale in a few hands. The benefit from the transaction costs, such as fees for intermediation, might explain the distribution. Unfortunately, the price of his financial services has not been found in the sources. However, specific information about how those *juros* were distributed sheds light on the identity and agenda of the bondholders who invested in royal debt.

⁸⁷⁴ An exception in Álvarez Nogal, 'Oferta y Demanda de Deuda Pública En Castilla'.

⁸⁷⁵ For the role of notaries as financial intermediaries, see Hoffman, Postel-Vinay, and Rosenthal, *Priceless Markets*.

⁸⁷⁶ 'AGS, DGT, Inv. 24, 1458'; 'AGS, DGT, Inv. 24, Leg. 491'.

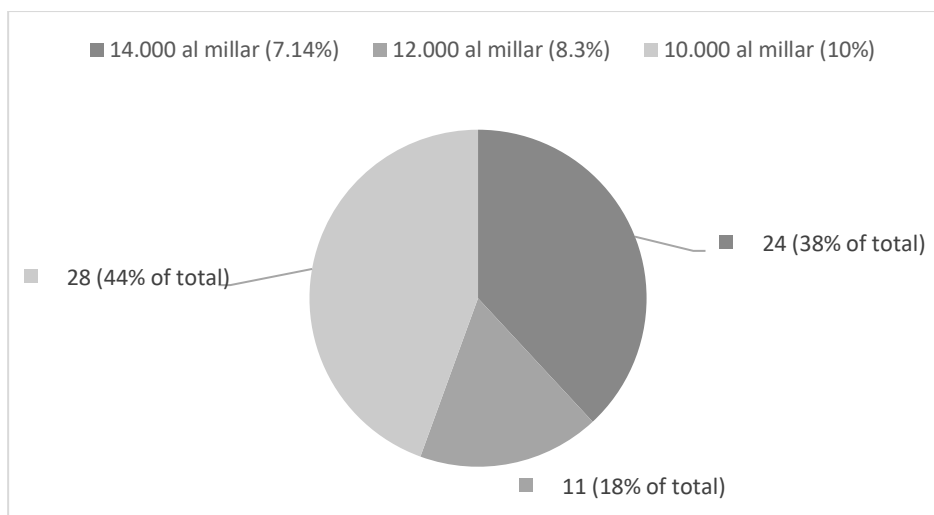


Chart 8: Total number of *juros* sold between 1558 and 1559 for the *asiento* of 22nd May 1558 (organised clockwise by interest rate). Source: AGS, DGT, Inv. 24, leg. 1458.

The distribution of juros at 7.14% annual interest:

The group of *juros* at 7.14% was sold for its ceiling price, which was worth 270,000 ducats, through 24 transactions. There were two majority communities in the sale of this group of assets, Genoese and Castilian, plus another two communities from Tuscany and Milan. The Genoese invested 71% of the capital, nearly 192,000 ducats, making them the largest group investing in this batch of *juros*. Castilians, by contrast, held almost 20% of the capital through the investment of roughly 53,500 ducats. An independent group held the remaining 9% of the capital, thanks to the investment of circa 23,400 ducats.

The Genoese group was characterised by the presence of members of families such as the Imperial, Spinola, Fiesco, Negron, or Grimaldo. The Spinola were the ones with more operations, four in total, and all of them together amounted to 51,270 ducats. In terms of individuals, out of eleven Genoese investors, only Vicencio Imperial, Nicolao Fiesco Raggio, Pablo Spinola and Gregorio de Asti invested more than 13,000 ducats. Chart 9 shows how Vicencio Imperial, business partner of Nicolao de Grimaldo in the *asiento*, was the largest investor of the Genoese community thanks to his *juro*, which was worth slightly more than 56,000 ducats.

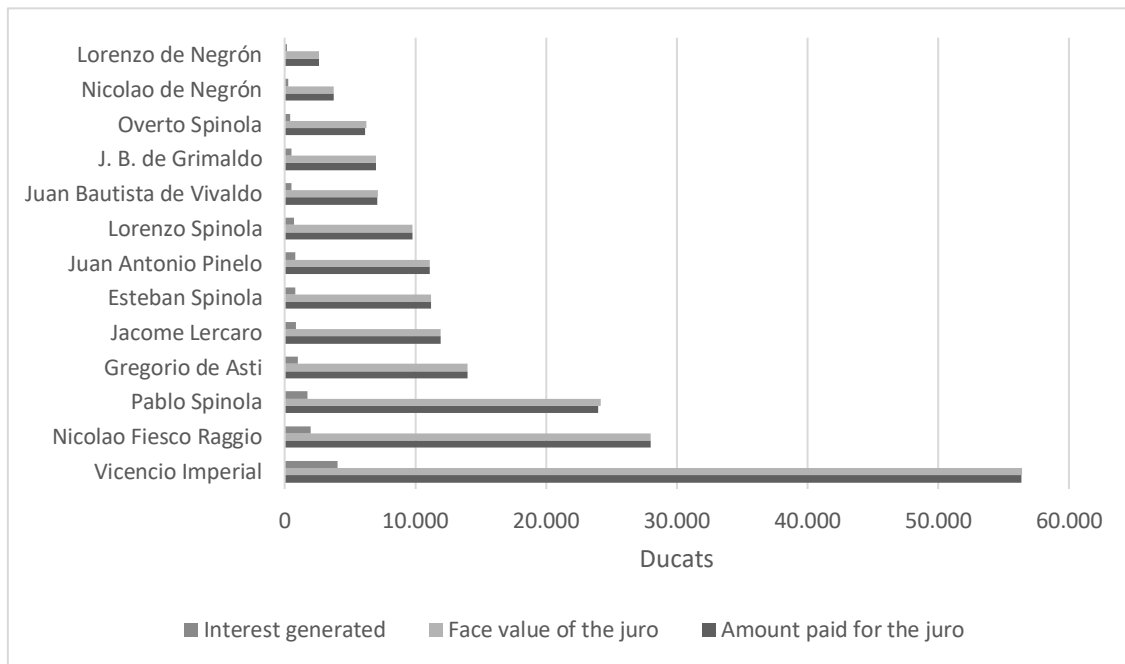


Chart 9: Sale of juros at 7.14% acquired by Genoese capitalists (in ducats). Source: AGS, DGT, Inv. 24, leg. 1458.

The Castilian group was formed of two corporations and seven individuals (chart 10). The former paid 600 ducats while the individual transactions amounted to almost 53,000 ducats, which highlights a larger concentration of capital in individual hands. The corporate part was comprised of the council of Xuances (modern Galicia) and the abbess and nuns of San Benito in Cuenca. The *juro* held by the council of Xuances was addressed to the inhabitants of this village in the north-western corner of the Iberian Peninsula and its payment was made by someone who was neither Genoese nor from Xuances: Pedro Marino.⁸⁷⁷ The sources on the bond held by the female convent of San Benito offer less information about the payer, although they do provide a full list of the nuns living and participating in the economic life of the convent.⁸⁷⁸ This information can be linked to an analysis of the local elites of Cuenca and how they promoted their women in that institution.

The case study of the marriage between Fructuoso Galos and Doña Isabel Ortiz de Monteser deserves a special mention, before continuing with the group of individual investors. According to Rosario Valdés, the regidor Fructuoso Gallos died a few years after acquiring the *juro*, a common occurrence with other investors too, and was buried next to his wife in the chapel of the Holy Spirit in the cathedral of Santiago. His wife, Doña Isabel Ortiz de Monteser, was also an important person in the society of the Galician city as she was the

⁸⁷⁷ 'AGS, CME, Leg. 324, 42' 1558.

⁸⁷⁸ 'AGS, CME, Leg. 16, 25' (Valladolid, 2 November 1559).

heir of Pedro de Monteser, collector of royal rents in Galicia.⁸⁷⁹ The couple lived in Santiago (Galicia), quite far from the royal court in Valladolid, which suggests the participation of an intermediary with social capital in the Kingdom of Galicia. In the example of this couple, the *juro* was paid on their behalf by Nicolao de Grimaldo, thus illustrating the networks of long-distance trust.⁸⁸⁰ It has been impossible to discern whether the couple participated in this *juro* jointly or separately, which would enrich our understanding of the financial assets acquired during the marriage.

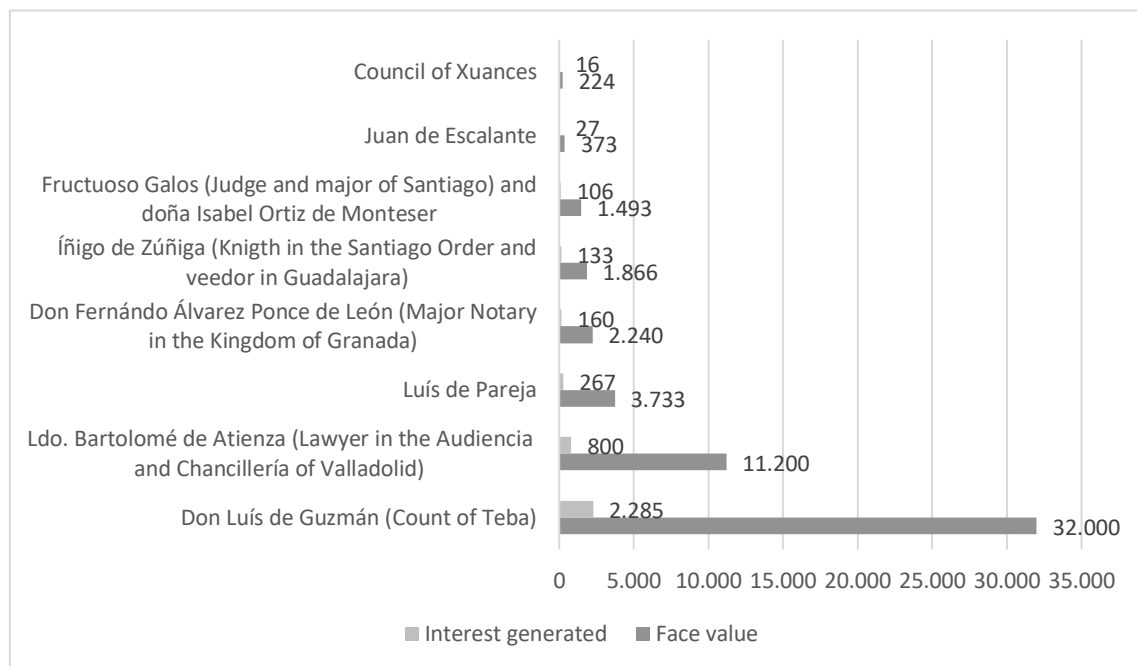


Chart 10: Sale of *juros* at 7.14% acquired by Castilian capitalists (in ducats). Source: AGS, DGT, Inv. 24, leg. 1458.

Don Luís de Guzmán, count of Teva, is a good example of a bondholder since he acquired a *juro* near his residence earmarked for the *alcabalas* of Malaga and its dependant land.⁸⁸¹ The Count of Teva did not send someone to pay for his *juro* in Valladolid. Instead, the count dispatched two agents, Andrés de Estramona and Juan de Alneiros, to pay on his behalf in the town of Teva. This means that it was not even necessary for a buyer to move his or her agents to the royal court, although this was the most common practice among investors. A copy of this *juro* also reveals a detailed list of villages that chose to pay this *juro* to the count,

⁸⁷⁹ Rosario Valdés Blanco-Rajoy, 'La capilla de los Neira de Luaces en la iglesia compostelana de Santa María do Camiño (ss. XVI-XIX)', *Cuadernos de Estudios Gallegos* 58, no. 124 (2011): 162; Xerardo Dasairas, 'La Herencia de Armada', Journal, *El Faro de Vigo*, (12 August 2013), <http://www.farodevigo.es/portada-omorrado/2013/12/08/herencia-armada/928670.html>.

⁸⁸⁰ 'AGS, CME, Leg. 252, 15' 1558.

⁸⁸¹ 'AGS, CME, Leg. 387, 7: Juro a Favor Del Conde de Teva Don Luís de Guzmán a XIV Mil El Millar Valorado En 857.143 Maravedís' (Juro file, 1558).

covering sixteen municipalities plus the city of Málaga. The villages were required simply to pay their *alcabala* except for Malaga, which instead specified the parts of this tax that would go to the count: threads, wax, clothes, linens, fish, inheritances and mercury. This organisation of the tax collection at local level was agreed with the cities in charge of that duty, and they would redistribute the charges among the dependant towns.⁸⁸² This distribution of the fiscal burden linked to royal debt demonstrates the independence of local authorities to control tax collection and its expenditure.⁸⁸³

Furthermore, the file suggests why the *juro* was purchased. In this case, de Guzmán transferred his right over this *juro* to Don Francisco de Guzmán, *señor* of La Algaba (Seville), as part of the dowry of his daughter, Doña Brianda de Guzmán de la Vega, on 12 August 1558, less than a month after the concession of the title. This transfer was not formalised through the royal accountants with a change in the *juro*. The count of Teva had used the services of a notary of Granada called Diego de Dueñas instead of the services of the royal accountants, a fact that reflects once again the importance of public notaries in the integration between formal and informal institutions and the subsequent economic development of a family.

Apart from these extreme cases of the largest and the smallest *juros*, Don Luís de Guzmán and the council of Xuances respectively, there were three more individual investors. Fernando Álvarez Ponce de León and Íñigo de Zúñiga were noblemen whose professions allowed them to accumulate sufficient capital to acquire the royal debt titles.⁸⁸⁴ The Licentiate Bartolomé de Atienza, however, belonged to the commoners and was an example of a new kind of bureaucrat, who had been instructed in the Castilian universities sponsored by the Catholic Monarchs since the late fifteenth century to reduce aristocratic influence in the institutions of power. This new social group tended to seek forms of ennoblement, or at least the imitation of their customs. De Atienza perfectly expressed this behaviour when he

⁸⁸² Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 172.

⁸⁸³ A similar strategy was followed by local and regional elites in Hispanic America. See Grafe and Irigoin, 'A Stakeholder Empire'.

⁸⁸⁴ A brief reference to Íñigo de Zúñiga and his lineage can be found in Juan de la Barreda y Acedo-Rico, *Viejas familias de Alcalá de Henares* (Editorial Complutense, 2003), 59. A copy of his *juro* and testament in 'AGS, CME, Leg. 324, 32 (1558).

founded a *mayorazgo* with his *juro*, which he transmitted to his descendants, even a century later, on the *alcabalas* on the hay and wood of Valladolid.⁸⁸⁵

As can be seen, most of the Castilian case studies were noblemen and when this was not the case these investors still shared the same characteristics of the aristocracy in the use and means of collection of the returns. All sought to place the *juros* near them and often used agents to pay for them on their behalf, which suggests that the earnings of those returns were also subleased. This picture allows us a first overview about who and how *juros* were purchased (upstream flow), as well as what these people did with their interest.

Finally, the independent group consists of the Milanese Geronmio Candiano and Giuseppe Malaspina, marquis of Fosdinovo (Tuscany). The former leads to the same conclusion as the analysis of the operations of the Centurione consortium: it was possible to deal with exogenous competitors. The case study of Malaspina, by contrast, is only comparable to the other participants and their investments. This character bought a *juro* worth 4,668 ducats for 4,666 ducats (note the rounding), but it is still unknown which royal rent was assigned to pay it. The General Archive of Simancas does not contain any entry for his name in the *Contaduría de Mercedes* collection, which suggests that the copy of his *juro* and the complementary sources are lost. The only way to find his debt title seems to be in the various Tuscan archives that hold the records of the Malaspina family of Fosdinovo.

In the State Archive of Florence, for example, it is possible to find last wills, genealogical trees, some notarial records and accounting documents. Nonetheless, they date back to the seventeenth and eighteenth centuries, and thus do not reveal any further details of how the marquis acquired his *juro* and how he managed it. The answers to this could have been in the State Archive of Massa, also in Tuscany, which holds a complete collection on this family. An examination of its catalogues has revealed little information on this case, however. Therefore, it has been impossible to know if this was another intermediated case, although this seems the most probable option as a high-ranking nobleman like the marquis of Fosdinovo was unlikely to move out of his territories for such economic matters.

⁸⁸⁵ Elena Naharro Quirós, 'Relaciones entre dinero, trabajo y condición nobiliaria (Comentario sobre un documento de la Real Academia de la Historia)', *Anuario de Historia del Derecho Español*, 1992, 535. The copy of the *juro* and the founding document of the *mayorazgo* in 'AGS, CME, Leg. 201, 20': 1558.

Notwithstanding the limits on the archival research, it is possible to compare the results from the Castilian and Genoese groups with the case of Malaspina. An early conclusion states that the marquis contributed with a high investment, but not one that was as high as the investments of the Genoese. The case of Malaspina proves that landed aristocrats could have fewer financial resources and interest to invest in long-term debt those who based their wealth on commerce and finance, namely the Genoese nobility.

The distribution of juros at 8.3% annual interest:

This group was comprised of eleven *juros* at 8.3% and which represented approximately only 17% of the whole transaction arranged by Nicolao. The distribution of these debt titles shows a clear majority of Genoese investors rather than Castilians or any other community. The Genoese were once again the largest investors in this group with a communal capitalist effort of approximately 105,337 ducats (78%), while the Castilians paid 29,663 ducats (22%). This imbalance means that the Genoese invested three times more than their Castilian fellows, so their capacity to collect funds was again higher. Nevertheless, none of these two groups were homogeneous as there were some investors who were very different to their fellows in terms of investment. Chart 11 illustrates the distribution of these *juros* to reflect these differences.

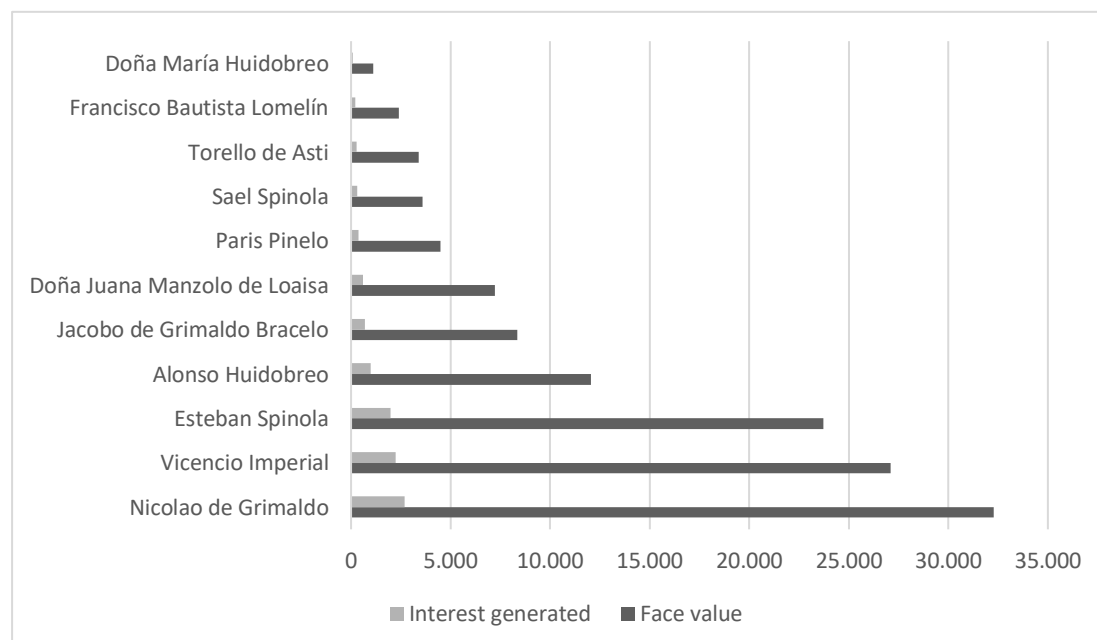


Chart 11: Sale of *juros* at 8.3% for the *asiento* with Nicolao de Grimaldo of 22nd May 1558 (in ducats).
Source: AGS, CJH, leg. 35.

The Castilian group was formed of Alonso Huidobreo, Doña María Huidobreo, and Doña Juana Manzano de Loaisa. The Huidobreo were not a married couple, as she was the widow of Diego de Soria.⁸⁸⁶ Both acquired a *juro* with its returns allocated to the salt mines of Atienza (Guadalajara). Alonso Huidobreo was neighbour and regidor of Ágreda (Soria), while his relative lived in Uceda (Guadalajara). None of them could collect the *rendimientos* of their *juros* near their homes, which suggests that they had someone else in charge of collecting the earnings from this downstream flow.⁸⁸⁷ The way they acquired their debt titles is, however, of interest for further analysis.

They did not purchase their *juros* directly because this operation was intermediated by a Genoese financier called Felipe Spinola, the son-in-law of Nicolao de Grimaldo, and his business in the *asiento*. Spinola was also the intermediary of other of Grimaldo's investors, which reveals a complementary service to prospective bondholders. The funding of Alonso Huidobreo to pay Spinola for his financial service was backed by a shared *mayorazgo* that he inherited from his uncle Diego Huidobro, abbot of Berlanga del Duero (Soria).⁸⁸⁸ How Alonso and Maria Huidobro contacted Felipe Spinola to pay on their behalf is a complicated issue, because the correspondence of both parties seems to have disappeared. Notarial records could help to discover how and under which conditions a power of attorney was granted to Spinola, but this investigation needs in-depth research in the provincial historical archive of Soria and its notarial protocols that this thesis could not undertake.

Juana Manzano de Loaisa, the other Castilian investor, was *vecina* of Ciudad Real and, despite being far from Valladolid, paid for her *juro* by herself.⁸⁸⁹ Her earnings were allocated on the *alcabala* of the pastures in the field of Calatrava.⁸⁹⁰ This tax was often used when

⁸⁸⁶ 'AGS, CME, Leg. 153, 2' 1558, 2; 'AGS, CME, Leg. 420, 50' 1558.

⁸⁸⁷ The Huidobro were a noble family of hidalgos whose most important relatives lived in Ágreda. Further information about this family can be found in 'AHNT, Torrelaguna, Caja 419: Colección de Manuscritos e Impresos Genealógicos Pertenecientes a Los Duques Del Parque' (Family archive, 1771 1584).

⁸⁸⁸ 'AGS, CME, Leg. 31, 10'. Alonso and Miguel were preoccupied at that time by a lawsuit with a neighbour about the edification of some buildings near their respective houses. On this local conflict, see 'ARCV, PL CIVILES, Fernando Alonso (F), Caja 850, 6: Pleito de Pedro Ruiz de Castejón, de Agreda (Soria), Alonso de Huidobro, de Agreda (Soria) y Miguel de Huidobro, de Agreda (Soria)' (Lawsuit (pleito), 1561 1558).

⁸⁸⁹ 'AGS, CME, Leg. 320, 3' 1558.

⁸⁹⁰ The economy of the Order of Calatrava was based on three provinces: Andalusia, the field of Calatrava and Zorita. The second was the largest area by far, covering around 11,000 square kilometres and 45 towns. See Miguel Ángel Ladero Quesada, 'Comentario sobre los señoríos de las Ordenes Militares de Santiago y Calatrava en Castilla la Nueva y Extremadura a fines de época medieval' (Las ordenes militares en el mediterraneo occidental (s. XII-XVIII): coloquio celebrado los días 4, 5 y 6 de mayo de 1983, Casa de Velázquez, Instituto de Estudios Manchegos, 1989), 172.

assigning *juros* to a royal rent in these years, though the monarch did not have the right over the *alcabala* of pastures.⁸⁹¹ Indeed, Ulloa reported that it was the princess regent Joanna who had decided to assign this rent to long-term debt, though her brother reminded her that he had no papal bull with which to do that.⁸⁹² Additionally, this *alcabala* was closely linked to the commerce of wool, an economic activity analysed in more detail in the following chapter.

The pastures of the field of Calatrava fed a large portion of the sheep controlled by the Mesta council, which represented the main sheep owners of Castile. This was one of the key stops in the transhumance to the north of Castile and, as a consequence, a reliable source of income. Juana Manzolo lived in Ciudad Real, one of the cities in charge of this *alcabala*, which made the collection of the *rendimiento* of her *juro* easy, unlike in the case of the Huidobreo family. In previous periods, between 1559 and 1560, this *alcabala* was not leased but brought to royal supervision through Bernardo de Ávila, neighbour of Almagro, who would lease, receive and charge the tax.⁸⁹³ From the downstream flow we are thus reduced to discovering if Juana Manzolo asked someone to collect the earnings from Bernardo de Ávila or not.

Finally, Juana Manzolo split the *juro* in favour of a couple of relatives and the chapel of San Pedro in 1570, when she was about to die. In the meantime, Juana enjoyed her annual profits for more than ten years, something uncommon among other investors who often acquired these long-term investments to provide a certain income for their descendants, as the count of Teva did.

There were eight Genoese investors, and just two of them also purchased *juros* at 7.14%: Vicencio Imperial and Esteban Spinola. There is no surviving copy of Spinola's *juro* in the General Archive of Simancas, whilst there are some for Vicencio Imperial. Imperial had his debt title, which was worth 27,108 ducats, earmarked to the *tercias* of Baeza (Jaén) and its dependant territory.⁸⁹⁴ In this case, he split part of his right in favour of Juan Bautista Lercaro and Andrea Imperial, who were Genoese financiers too. The typical diversification of risks claimed by Drelichman and Voth does not fit here, as the risk remained in the community.⁸⁹⁵

⁸⁹¹ Ruiz Martín, 'Un expediente financiero entre 1560 y 1575', 16.

⁸⁹² Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 567.

⁸⁹³ Ibid., 569.

⁸⁹⁴ 'AGS, CME, Leg. 459, 6' 1558.

⁸⁹⁵ Drelichman and Voth, *Lending to the Borrower from Hell*.

It might be that the right was even more fragmented afterwards, but it is not recorded in the file of this *juro*. Neither Jacobo de Grimaldo Bracelo nor Francisco Lomelin or Esteban Spinola left a surviving *juro* file, which suggests that these bonds were filed in other accounts in their names.⁸⁹⁶

That was not the case for Torello de Asti. This capitalist was not specifically a Genoese from the city of Genoa, but from Albenga, which is a town southwest of Genoa in the modern province of Savona. He provides evidence for the practice whereby every city that was part of the Genoese Republic granted the demonym of Genoese to its inhabitants. This Genoese financier lived in Castile, probably accompanying the royal court, which is the reason why he paid his *juro* by himself.⁸⁹⁷ Nonetheless, he chose to allocate his earnings on the *alcabalas* of the Alpujarra (Granada).

The Alpujarra covers the region of the southern part of Sierra Nevada between the modern provinces of Granada and Almeria. The file of this *juro* contains a list with the towns which should specifically contribute to the right of De Asti: Cañar, Ohanes, Trévez, Beires, Almócita and Padules. The copy of his *juro* also refers to how he could collect the earnings. Instead of going village by village, de Asti, or someone with the power of attorney, was entitled to receive the *rendimiento* in Seville, Medina del Campo or Valladolid. In principle, this option did not allow De Asti to remain at the royal court once it had departed for Toledo by the end of 1559, which suggests that the Genoese financier had someone else who took care of his investment.

In conclusion, the clients of Nicolao de Grimaldo were mostly Castilian noblemen and noblewomen besides other Genoese financiers. This group of *juros* illustrates the presence of Castilian women with different profiles investing on their own. Maria Huidobreo was already a widow and the income from her *juro* was surely geared to providing for a comfortable old age, while Juana Manzolo sought to preserve hers beyond a royal depreciation of all the *juros* in 1564 and leave it to her relatives and the chapel where she was buried. By contrast, there is a lack of female Genoese investors, an absence also noted in the following batch of *juros*. Nevertheless, the Italian financiers had wives and descendants who took charge of their

⁸⁹⁶ The case of Francisco Bautista Lomelin results perplexing because there is a copy of a *juro* in his name for the same amount, but it is a *juro* at 10% instead of 8.3%. See 'AGS, CME, Leg. 291, 11' 1559.

⁸⁹⁷ 'AGS, CME, Leg. 459, 12: Juro al Quitar a Doce Mil El Millar Con Torello de Aste de 105.468 Maravedies Por 1.265.616 Que Por Ellos Pagó' (Juro file, 1558).

business when they died. It seems that financing was a male assignment within the Genoese community, while Castilian women were empowered enough to take care of their own finances. Finally, the participation of the heads of the *asiento* in the distribution of *juros*, a pattern also present in the transactions of the Centurione consortium, seems to inspire trust in other bondholders, thus complementing the theory about Genoese financial strategies.

The distribution of juros at 10% annual interest for the old debts and the principal: a mixed analysis

This section covers the sale of 28 *juros* at 10% from the old debts, which accounted for 29% of the total transactions, and the sale of another parcel of *juros* at 10% that was intended to reimburse 100,000 ducats to Grimaldo as part of the principal.⁸⁹⁸ This mixed analysis intends to reinforce the conclusions already made throughout the previous sections and offer some examples of repeated collaboration that could result in the discovery of stable business networks in future research.

The first sale of *juros*, linked to old debts, shows that the Genoese may have arranged fewer operations, but they also better distributed the risks.⁸⁹⁹ Chart 12 shows that the Genoese group made a total of 9 transactions worth 96,076 ducats out of the 135,000 conceded by the royal administration, which amounted to 71% of the total sale. Some of those Genoese financiers participated in other transactions linked to old debts in the same *asiento*, such as Esteban and Overto Spinola, or Vicencio Imperial. Indeed, Nicolao de Grimaldo and Vicencio Imperial once again enabled the investments to create trust.

The remaining 19 bondholders were Castilians, whose profile is practically identical to the others already analysed: noblewomen investing alone (Doña Ana de Velasco, Doña María de Silva, Doña Inés de Astudillo) or in a joint investment with their husbands (Doña María de Montenegro), and noblemen and *regidores* surely looking for long-term regular incomes to provide a dowry (Ponce de León, Enríquez de Almansa). However, there are some interesting points, such as the absence of *juros* held by corporations like convents or councils. The fact that no formal institutions of this sort took part in the most profitable bonds is surprising. Most probably, corporations would invest low sums of money, which might have prevented them from investing to acquire large bonds in the market. In other words, corporations might

⁸⁹⁸ 'AGS, DGT, Inv. 24, 1458', secs 8–14.

⁸⁹⁹ Ibid., secs 8–11.

have been unable to compete with informal institutions, such as the Genoese or Castilian business networks. Were these formal institutions unable to compete notwithstanding their prominent role in the local economies? There is no definitive answer to this question in the literature, but it could be related to the internal norms of those institutions, which may have prevented them from risking too much and making large investments to protect the common interest.⁹⁰⁰

⁹⁰⁰ Álvarez defines the role of civic institutions, such as local councils, as '*testimonial*' (symbolic) in the royal debt market. See Álvarez Nogal, 'Oferta y Demanda de Deuda Pública En Castilla', 111.

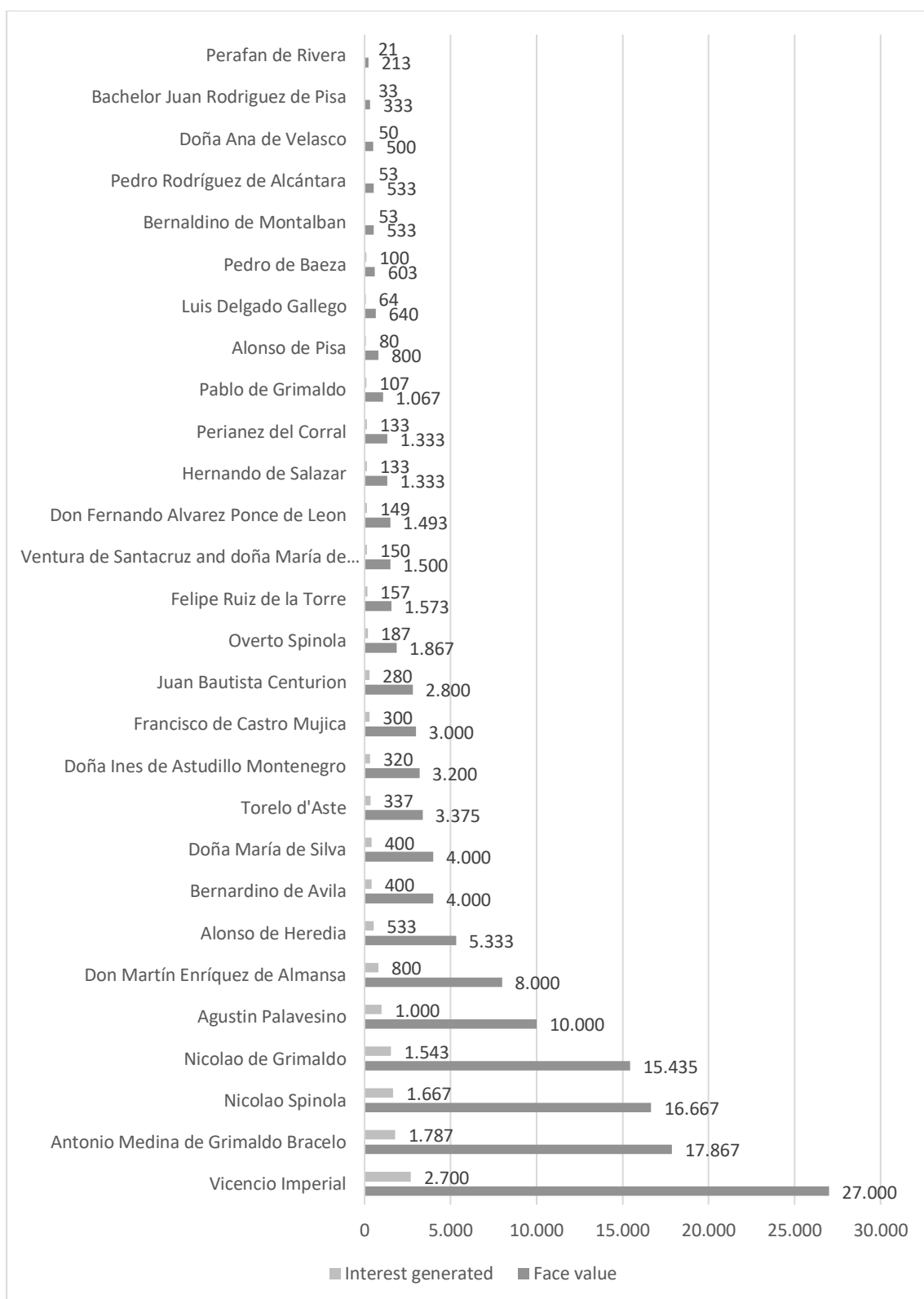


Chart 12. Distribution of juros at 10% from the old debts conceded to Nicolao de Grimaldo for his asiento of 22nd May 1558. Source: AGS, DGT, I-24, leg. 1458, secs. 8-11.

Leaving aside the reimbursement of old debts through the sale of *juros* at 10%, the sale of another batch of *juros* at 10% to pay Nicolao de Grimaldo 100,000 ducats from the principal helps to elucidate some innovations in the analysis of the Genoese financial strategies.⁹⁰¹ Due to the high number of operations, this section focuses only on the cases in which the *juro* was divided or completely resold to someone else.

The first example was a member of the mighty Doria family, Nicolao Doria. The lender obtained an allocation of his *juro* on the *alcabalas* of Murcia (533 ducats) and Cádiz (1,066 ducats).⁹⁰² The former covered the tax on meat, fresh fish, young goats, and inheritances, while the latter had no itemisation. Both taxes were split into parts that Doria sold on to third parties through the intermediation of Nicolao de Grimaldo, demonstrating the long-term business relationship of these financiers.

Charts 13 and 14 show how this new distribution was done. The first shows that Nicolao Doria preserved part of his right to the *alcabala* of Murcia, after Grimaldo sold part of that right on behalf of Doria. More specifically, the Genoese broker divided Doria's *juro* into two uneven parts: 160 ducats for Juan de León and 240 for Doria. As with previous transactions, the fees Grimaldo charged for his services remain unknown. The second chart provides a list of nine investors who used the services of Nicolao de Grimaldo to become bondholders through Doria's asset. If the original value of the *alcabalas* of Cádiz was 1,066 ducats, Grimaldo liquidated this bond through its sale to investors who did not live in Cádiz or Valladolid to facilitate the collection of the interest. Diego de Polanco, for example, was *vecino* of Burgos. Individual investigation into private archives or, more likely, notarial records is essential to discover how these people collected the returns and contacted Grimaldo. Although all these investors should have received a new *juro*, it has not been possible to check them all to see whether someone had intermediated on their behalf.

The analysis of the agendas of these bondholders can provide an ultimate study of the upstream flows. It is not possible to create a profile of those investors of the third level. A preliminary inspection, however, indicates that they were not noble, but merchants like Diego de Polanco. Nonetheless, the lack of data about the products charged with these shares of the *alcabala* in Cádiz means that the relationship between their businesses and the

⁹⁰¹ 'AGS, DGT, Inv. 24, 1458', secs 12–14.

⁹⁰² 'AGS, CME, Leg. 459, 33' (Juro file, Valladolid, 1558).

merchandise affected by the royal tax is unclear. Finally, Nicolao Doria did not keep any part of this share of the *juro*, either because he had only intermediated for these investors or because he needed cash for other transactions.

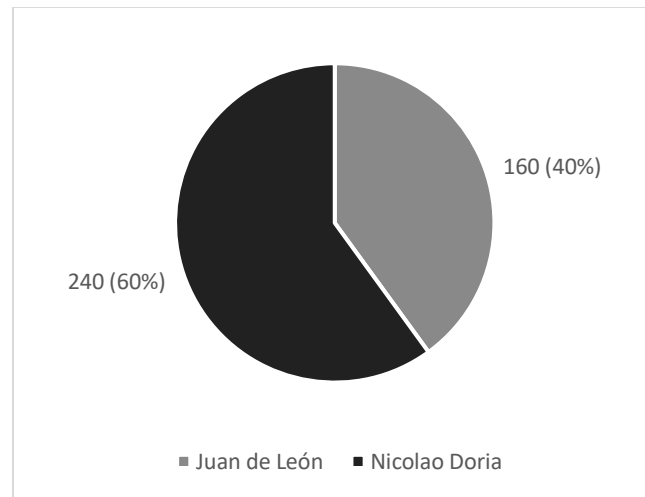


Chart 13: Distribution of 400 ducats of interest originally acquired by Nicolao Doria on the alcabalas of Murcia after its partial sale (in ducats). Source: AGS, CME, leg. 459, 33.

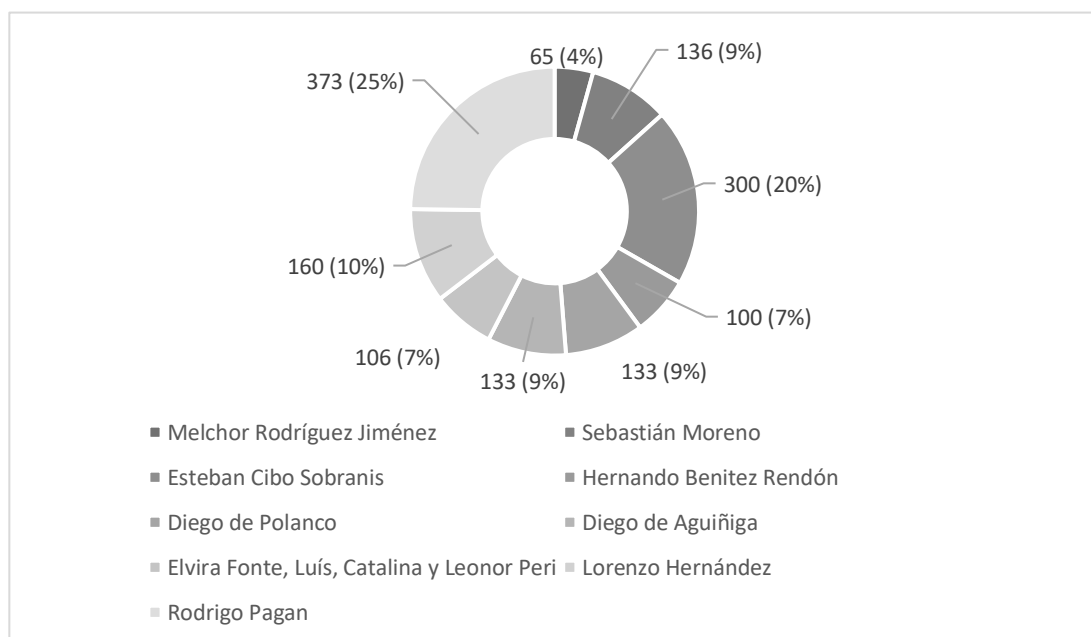


Chart 14: Distribution of shares of the *juro* acquired by Nicolao Doria (in ducats). Source: AGS, CME, leg. 459, 33. Note: this chart is intentionally coloured to ease its visual readability.

Another example of the resale of *juros* draws attention to another member of the Doria lineage: Pablo Doria. This Genoese, son of Juan Bautista Doria, acquired a *juro* with a *rendimiento* of 1,000 ducats on the *alcabalas* of some towns under the control of the Order of Alcantara in modern Extremadura (Las Brozas, Tarancón, Moraleja, Torre don Miguel and two other towns that are illegible).⁹⁰³ The returns from this debt title would be granted in thirds throughout the year in Valladolid or wherever the royal court was. The upstream flow of credit is hard to identify here, as it was Nicolao de Grimaldo who paid on behalf of Pablo Doria in August 1558. Nevertheless, Pablo Doria quickly renounced his *juro* in favour of Nicolao de Grimaldo in September 1558. Although Pablo Doria obtained rights over the pasturage duties of a military order, as in the previous case of Joanna Manzolo with a *juro* at 8.3%, he may have resold his privilege because he lived far from the region of collection.

This is indeed the first debt title that Grimaldo fully recovered for himself from the *juros*. The Genoese lender had interests in the wool export rights, meaning that he also benefited from the collection of taxes from herdsmen for the transhumance of their cattle of sheep. The downstream flow of this investment was linked to the abilities of Melchor de Uceda and Pedro de Miranda, from Toledo and Salamanca respectively, to collect the tax.⁹⁰⁴ These two men leased the royal tax from 1556 until 1560. As this was a farmed rent, the returns that Grimaldo had to receive depended entirely on the royal treasurer López del Campo instead of these tax farmers, which was a safer investment.

A final example on the resale of *juros* was also a Genoese, which reinforces the profile of this community as financial brokers. Pablo Spinola, who obtained the allocation of his privilege in the *alcabalas* of Aracena and Higuera de la Sierra (both in Huelva), used Grimaldo's services years after the initial sale, which indicates that their relationship endured in the long term.⁹⁰⁵ Grimaldo intermediated for the recovery of 133 ducats by the royal administration from that *juro* between 1562 and 1563, specifically from the part assigned to Higuera de la Sierra. and the sale of what was left after the royal operation (about 665 ducats).

⁹⁰³ 'AGS, CME, Leg. 459, 24' 1558.

⁹⁰⁴ Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 570.

⁹⁰⁵ 'AGS, CME, Leg. 459, 23' (Juro file, Valladolid, 1558).

The new bondholders were Antonio Pérez (*vecino* of Alcalá de Henares, Madrid), Diego de Burgos (chemist of His Majesty) and Francisco de España. None of them were Genoese, which means that there was a diversification of risks in play, probably because Grimaldo advised Spinola to sell before the new royal order to lower the *rendimiento* of all *juros* began in 1564. This long-term relationship suggests two conclusions. First, Pablo Spinola surely resided in Genoa and this was the reason why he gave Grimaldo power of attorney to pay for the *juro* on his behalf. Second, Grimaldo was not only a provider of rents, but he also took care that his clients had trustworthy incomes, which might include the service of collecting the earnings in Castile and later forwarding them to Genoa or reinvesting them in new financial activities.⁹⁰⁶ The importance of Grimaldo for his clients and the economic circuit between the Hispanic Monarchy and the Republic of Genoa is undeniable. From his position in an informal institution like the Genoese lending community, whose principles have already been analysed in the first chapter of this thesis, Grimaldo promoted economic progress and the protection of contracts in the long term at a local level. In other words, economic development in early modern states owed much to informal institutions.⁹⁰⁷

The previous examples have illustrated how Genoese lenders diversified their risks in two steps. First, the sale of *juros* liquidated Grimaldo's old debts. Second, bondholders could resell their *juros* to third parties, sometimes brokered by Grimaldo. This strategy was a profitable business thanks to the fees for intermediating the access to those *juros*. However, the financial game was not exclusively a Genoese monopoly. In effect, Castilians also learnt to profit from the resale of *juros*. The following instances demonstrate that there was no single profile among the Castilians who employed this financial service. The analysis that proves this focuses on three case studies: a merchant, a lady-in-waiting, and a local official.

The first case is Francisco de Castro Mújica, a financial broker and merchant of Burgos. His *juro* file shows that he paid for this right directly, without the services of an intermediary.⁹⁰⁸ His privilege was earmarked to the *Almojarifazgo Mayor de Almonayma y*

⁹⁰⁶ This downstream flow service of has not yet been examined, as it would require more exhaustive and time-consuming research in the archives.

⁹⁰⁷ This conclusion also finds examples in the medieval period. See Greif, 'Contract Enforceability and Economic Institutions in Early Trade'.

⁹⁰⁸ 'AGS, CME, Leg. 259, 11' 1558.

Berbería of Seville, which had to be charged to the city's iron and metalwork merchants.⁹⁰⁹ Castro Mújica, as an independent broker and experienced financier, sold his privilege to Francisco de Salamanca, another Burgos businessman who collaborated with him in the wool trade.

The second example also obtained a privilege on the *Almojarifazgo Mayor de Almonayma y Berbería of Seville*. Her name was Doña Leonor Manuel, a Portuguese companion of the princess regent Joanna. The lady-in-waiting purchased her right thanks to the intermediation of Felipe Spinola, the business partner and relative of Nicolao de Grimaldo.⁹¹⁰ This lady belonged to the regent's inner circle and her behaviour in acquiring a *juro* is surprising considering Joanna's reticence towards borrowing through the issuing of new *juros*. Leonor's decision may have been influenced by her marriage in 1558 to Pedro Luís Galcerán de Borja, a knight of Calatrava who later became the last Grand Master of Montesa.⁹¹¹

Access to a regular and private source of income gave married women economic independence. Since marriage was often an economic contract intended to enlarge the wealth and prestige of the couple and their dynasties, the purchase of the *juro* provided them with a long-term asset that could be liquidated in case of necessity. However, the collection of the resulting interest lasted for just two years. Doña Leonor Manuel decided to sell her privilege to Miguel de Codina in August 1560, after her *juro* was partially repurchased by the royal administration in January. The new holder was a low-ranking Catalan nobleman and the royal treasurer of Philip II, who became a knight by royal privilege in 1562.⁹¹² After all, the interest remained in noble hands, which shows that the Castilian nobility was interested in obtaining regular and trustworthy long-term incomes.

⁹⁰⁹ The Almonayma was a duty for the books in which taxes were recorded, while the '*renta de Berbería*' taxed the trade with the region of Barbary (northern coast of Africa). See José Damián González Arce, 'El consulado genovés de Sevilla (siglos XIII-XV): Aspectos jurisdiccionales, comerciales y fiscales', *Studia Historica. Historia Medieval* 28, no. 0 (2010): 196.

⁹¹⁰ 'AGS, CME, Leg. 386, 4' 1558.

⁹¹¹ Miguel Batllori, *La familia de los Borjas* (Real Academia de la Historia, 1999), 66.

⁹¹² Francisco José Morales Roca, *Ciudadanos y burgueses honrados habilitados como Síndicos del Brazo Real en las Cortes del Principado de Cataluña: dinastías de Trastámara y de Austria, siglos XV y XVI, 1410-1599* (Ediciones Hidalguía, 1995), 105.

The third and last example of this block of *juros* at 10% is the ‘*Bachiller*’ Juan Rodríguez de Pisa, *vecino* of Almagro (modern Castilla-La Mancha). Rodríguez de Pisa was another bondholder whose investment was earmarked to the pastures of the Calatrava field. According to his *juro* file, he had to collect the earnings in Almagro through the permission of Pedro de Miranda, who had the lease of this tax until 1560.⁹¹³ Specifically, the sources stress that Rodríguez de Pisa had to visit the house of Juan de Salvatierra, who would have been the representative of Miranda in Almagro.

This kind of downstream flow contrasts with the one observed in the *juro* at 8.3% of Doña Joanna Manzolo, who had to collect the returns from the royal treasurer. It is clear, however, that this form of downstream flow was easier and cheaper for Rodríguez de Pisa. Nonetheless, the bondholder had renounced part of his privilege in favour of another *vecino* of Almagro: Bernardo de Orbea. He appears in the accounting records of López del Campo as receiving about 24 ducats in February 1559 for himself, a not so small amount bearing in mind that the original *rendimiento* was worth 33 ducats. These small sums of money seem particularly insignificant compared to the million escudos issued by Grimaldo to Philip II or the thousands of ducats invested by some Genoese financiers. Nevertheless, this financial process based on resale among modest investors sheds light on the economic role of people who often do not appear in the big narratives.

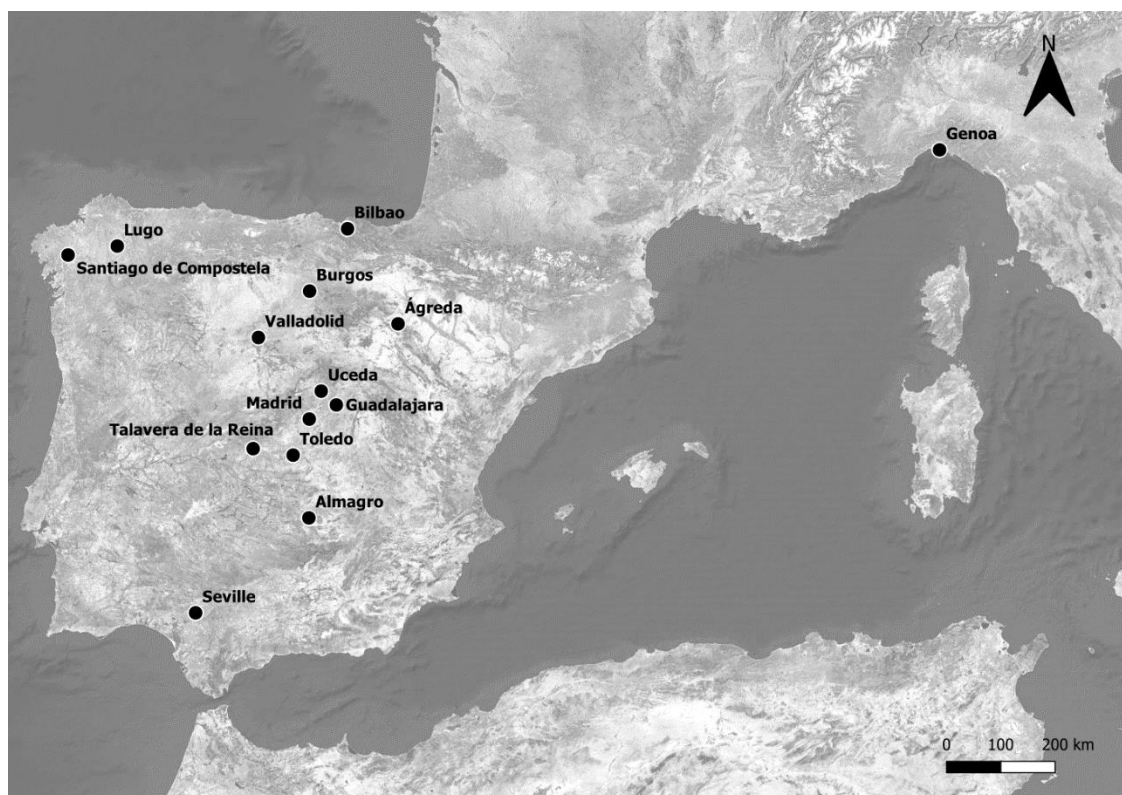
A closing statement about the Castilian investors in *juros* given to Nicolao de Grimaldo would be incomplete if the presence of women is not highlighted. Apart from the case of the lady-in-waiting, Doña Leonor Manuel, there were four more women who acquired *juros* independently: Doña Inés de Astudillo Montenegro, Doña Ana de Velasco, Maria de Silva, and Ana de Béjar.⁹¹⁴ Three of these four are clearly noblewomen, and whilst there is no reliable confirmation of Inés de Astudillo’s rank, her surname of Astudillo points to a merchant family of Burgos. In this sense, women were active actors in the economic life of Castile, even though their agency is often eclipsed by the larger Genoese investments. The main difference between these two groups of investors, Castilian women and Genoese lenders, lay in the goal of their operations. Whereas those women sought to preserve the family reputation and

⁹¹³ ‘AGS, CME, Leg. 335, 25’ 1558.

⁹¹⁴ ‘AGS, DGT, Inv. 24, 1458’, secs 8–14.

patrimony through dowries and regular incomes, Genoese financiers preferred to speculate with those debt bonds to profit from their continuous redistribution and resale.

This section about Nicolao de Grimaldo has shown how the financial flows of early modern Castile worked. Map 3 illustrates the multiple points of the Castilian and Genoese geographies that participated in the financial circuits in which Grimaldo and the *Factoría General* developed their agendas. Whereas the former represented a well-defined and organised collective or informal institution, the Genoese lending community, the latter was a formal institution managed by private entrepreneurs. Both institutional representatives had their personal agendas: Grimaldo sought to redeem his batch of old royal debts; the *factores reales* aimed to prosper in the royal administration. Their converging interests drew the attention of private investors from the territories depicted in the map below. Notwithstanding the development of trust strategies to attract prospective bondholders to the sale of *juros*, the sources consulted do not suggest the existence of permanent networks of creditors. Nevertheless, informal and formal institutions worked together to make local powerholders with financial capability participants in the state-building process.



Map 3. Cities in which the investors of the *asiento* of 22nd May 1558 with Nicolao de Grimaldo lived.
Sources: AGS, CJH, leg. 35 and AGS, DGT, Inv. 24, legs. 491 and 1458.

6.3. Conclusions:

The sales of *juros* have offered a first approach to how the Genoese upstream and downstream flows of credit worked through the reimbursement of old royal debts generated after the royal suspension of payments in 1557. The analysis of these transactions has established a double perspective that consisted of the negotiations between the royal administration and the Genoese lenders (macro-level) and the interactions between brokers and clients (micro-level). The outcomes of this research show a symbiotic relationship among all these actors that are more complex than the mere economic act of arranging a contract. Each of the aforementioned actors represented one of the three pillars that sustained the early modern Hispanic Monarchy.

The royal administration was embodied in the *Factoría General* because this formal institution managed the arrangement of new *asientos* or financial contracts and supervised their enforcement. The Genoese lending community was basically an informal institution that consisted of multiple business associations based on coercive means of reputation and self-enforcement. Clients or investors, finally, were local corporations and powerholders whose agendas required the agency of a regular long-term income. The interrelation among these three social and economic groups prevented the collapse of the Hispanic Monarchy in 1557, although their interaction elapsed for years. From the institutional point of view, the relatively long process demonstrates that each group needed the other two to perform well economically, socially, and politically.

Nevertheless, the interaction between the three groups was not enough to produce economic growth and socio-political integration. The role of representative institutions as guarantors of the royal incomes in which *juros* were allocated was essential to state consolidation. Notwithstanding that these representative bodies were formal institutions, such as the Castilian *cortes* that granted subsidies or the councils that distributed the *encabezamiento general*, there was conflict among them. Tension, or competition if expressed in economic terms, was also applicable to the other two groups.

Each one of the three pillars had to negotiate with its institutional fellows besides the other groups. For example, the *Factoría General* had to bargain for its ability to service financial contracts on behalf of the monarch with the pre-established institutions of the regency or the embassy in Genoa. Similar conflicts took place among Genoese lenders, such

as the complaints of Adam Centurione against Nicolao de Grimaldo discussed in this chapter. Local corporations and powerholders were also in conflict among themselves, an aspect further studied in the following chapter. In this regard, conflict was inter- and intra-institutional in early modern states.

The first research question on how trust returned to an international financial market after the consolidation of floating debt has multiple answers. First, the use of strategies to transmit confidence, such as that of the consortium Gentil-Centurione based on participating directly in the sale of *juros* with the largest share, doubtlessly contributed to calm reticent investors. However, it was also a form of syndicated lending because it sought to reduce risks through the participation of multiple members of the community.

Second, the social capital of each broker played a key role in this process. A common background in training and previous deals during the reign of emperor Charles V strengthened the relations of the Genoese community, which effectively became a sort of close-knit diaspora. In this sense, most of the brokers' clients were friends and relatives, though there was also space for outsiders. The closed social group allowed for exceptions that depended on the convergence of interests between broker and client.

Third, the royal need for quick liquidity in the Habsburg Low Countries and Italy obliged Philip II to accept a change in his financial policy regarding the concession of transferable *juros* at an interest rate higher than 5% to reimburse old debts in the *asientos* analysed herein. Military constraints and the subsequent need for money to muster and dismiss troops on all fronts forced the resumption of new deals that satisfied the Genoese brokers. In short, the scarcity of liquidity and the little time to move it around the monarchy obliged key formal institutions to negotiate better conditions with the other three socio-economic pillars of the Hispanic Monarchy. The main outcome of these negotiations was the recovery of trust in the financial market, which was central for the resumption of financial operations.

The second research question of this thesis, which enquires about the role of intermediaries in these credit flows, has a simpler answer. Brokers existed and were a very important part of the financial circuit. Most of them were Genoese such as Nicolao Doria, who sold his shares in the *alcabalas* of Cádiz to third parties, though there were also Castilian brokers. The last chapter of this dissertation provides further details about this specific topic.

Right now, it is sufficient to say that the profile of these intermediaries was heterogeneous. However, it should be stressed that these brokers could be *ad hoc*, post-operational, or both. *Ad hoc* intermediaries provided a temporary access to debt titles because those intermediaries were able to arrange a contract for a financial service with the royal administration. Post-operational brokers were people who were not intermediaries when they acquired the *juro* but sold it afterwards according to their private agendas. A combination of both models was possible, as the role of Nicolao de Grimaldo as first- and second-hand intermediary proves.

The answers to the third research question of this thesis, which sought to identify the political effect that these sales had in local communities in the promotion of state construction, is better presented in the following chapter through specific case studies. At this point of the thesis, the investment of private capital from local savers in *juros* was a means to obtain a regular and trustworthy income. Examples of the use of the subsequent interest are usually linked to dowries and other financial operations such as the division of *juros* into smaller assets to diversify risks and benefit from transaction costs. In terms of the specific effect of these bonds on their bondholders in state consolidation, the assets were a clearly desirable investment for pursuing personal agendas. Therefore, the sales of *juros* were a centripetal force at local and regional level that amalgamated the private agendas of these three socio-economic pillars, which greatly contributed to the consolidation of the early modern state.

Chapter 7. Golden threads of wool: financial and commercial interests united through the *nuevo derecho de lanas*

This part of the thesis employs all the elements analysed in the previous chapters to provide a specific view on the people interested in the correct functioning of the new tax on wool exports enacted on 30th April 1558. The private agendas of financial brokers, bondholders, and merchants are brought together in this threefold chapter to argue that informal institutions played a crucial role in interconnecting public and private interests, besides promoting economic development at a local level and trust in the international debt market. In this sense, the role of formal institutions, such as the *Factoría General*, in the consolidation of the early modern state consisted in the channelling and legitimising of private initiatives, which were extremely interested in the survival of the central administration. The Hispanic Monarchy was therefore an economic and social framework for the development of private and public agendas, which overlapped through strategies for the diversification of risks and maintenance of reputation (personal and communitarian).

The first section of this chapter analyses the sales of *juros* granted to Nicolao de Grimaldo for two *asientos* he arranged with the *Factoría General* on 5th October 1558 and 10th April 1559 and allocated to the new wool exports. The analysis includes the case study of the duchess of Florence, Doña Eleonora di Toledo, and the process of brokering that allowed her to participate in the secondary debt market in Castile. Her case stresses the existing collaboration among informal institutions from different communities to provide financial services between different governments in distant geographies. The second section emphasises the role the symbiotic relationship between Genoese brokers and Castilian wool exporters played in the reliability of the new royal income and the debt bonds allocated to it for the survival of the Castilian wool market. Finally, the third section offers an inverted view of these flows of capital. Instead of looking at the brokers as the main agents of these financial operations, the focus is on local elites and how they sought to participate in the royal debt to develop their economic and cultural agendas at a local level through the agency of two female convents.

7.1. A top-down approach: the allocation of *juros* to the *nuevo derecho de lanas*

If the previous chapter showed how the interaction between the *Factoría General* and Genoese lenders resulted in the distribution of regular long-term royal debt bonds among local investors and brokers, this section delves into the analysis of specific bondholders whose debt titles were allocated to the new wool exports tax (*nuevo derecho de lanas*) of 1558. Once again, the financial operations of Nicolao de Grimaldo with the *Factoría General* provide representative examples of this practice of reimbursing old debts. Instead of using the information contained in the *asiento* signed on 22nd May 1558, this section reviews the mercies of two contracts arranged on 5th October 1558 and 10th April 1559. The use of two different sales allows us to compare how successful in the distribution of *juros* Nicolao de Grimaldo was, especially since the last *asiento* was a joint contract with Antoniotto Palavesin and Lorenzo Spinola.

The first *asiento* was signed between Nicolao de Grimaldo and the *factor general* López del Campo in Valladolid on 5th October 1558, just five months after their previous contract.⁹¹⁵ On this occasion, Grimaldo promised the delivery of 500,000 escudos (533,333 ducats) to Antwerp. This sum had to be split into four monthly instalments starting with 160,000 ducats at the end of November until a final payment of 53,333 ducats in February 1559. In exchange for his financial services, Grimaldo's principal would be reimbursed in four instalments from different parties plus interest of 12%. The importance of the new tax on wool exports was already present in this reimbursement since the earnings of this fiscal obligation had to service part of the first instalment, which was worth 74,666 ducats, at the postponed fair of Medina del Campo initially called for May 1558.⁹¹⁶ Nevertheless, the fair of May did not take place until December 1558, which reveals that Grimaldo did not receive the first instalment of his reimbursement before the first delivery of money to the Habsburg Low Countries.⁹¹⁷ Indeed, the payment order was issued on 23rd February 1559, which reflects the lengthy process of reimbursement when the royal administration ran out of liquidity.⁹¹⁸

⁹¹⁵ 'AGS, CJH, Leg. 34, 54'.

⁹¹⁶ The remaining 85.333 ducats were to be handed to Grimaldo at the fair of Villalón de Campos in October 1558, a payment allocated to the earnings of one of the papal bulls in which the name was left blank. See *ibid.*

⁹¹⁷ Álvarez Nogal and Chamley, 'Philip II against the Cortes and the Credit Freeze of 1575-1577', 381.

⁹¹⁸ 'AGS, DGT, Inv. 24, Leg. 491'.

Apart from the role of the new tax in the reimbursement of the principal, the *nuevo derecho* also backed part of the payment of a mercy of old debts estimated at 200,000 ducats plus 32,000 ducats in interest from 1557. The disbursement was assigned to the royal *factor* López del Campo, who was instructed to sell *juros* at 10% with the interest payable from January 1559.⁹¹⁹ Grimaldo was entitled to nominate bondholders and allocate half the sum conceded (116,000 ducats) to the *nuevo derecho* in two instalments of 58,000 ducats each between the fairs of May and October 1558. The remaining 100,000 ducats were allocated on other *juros* backed by *alcabalas* and other unspecified rents. Additionally, the *juros* could be resold as many times as their holders wanted.

Notwithstanding the similarity with the conditions of the *asiento* signed on 22nd May, Grimaldo recognised in the contract that he was unable to find enough investors for those *juros* at that time.⁹²⁰ Accordingly, López del Campo agreed to pay the old debts to Nicolao with the money the royal official expected to collect when Grimaldo nominated bondholders, which made the reimbursement of the old debts a progressive payment. Since *alcabalas* were a highly reliable source of income because the representative institutions had agreed a fixed contribution, the allocation of half the *juros* on the *nuevo derecho* could be a deterrent for investors. By contrast to *alcabalas*, the new tax on wool exports depended on the effectiveness of the royal administration to collect it and the ability of wool exporters to cheat, which made the operation less attractive to prospective bondholders. Although this hypothesis is hardly demonstrable without examining the private correspondence of Grimaldo, a comparative analysis of accounting sources confirms the premise.

Gerónimo Pardo Orense, accountant of the general *factor* López del Campo, registered the names and transactions of bondholders who purchased *juros* at 10% linked to the reimbursement of old debts in the *asiento* of 5th October 1558 in two *cargo y datta* reports between 1558 and 1559.⁹²¹ The sale of *juros* amounted to 232,000 ducats, which reflects a theoretically perfect distribution of funded debt. However, there was a substantial difference between the sum raised to be allocated on the *nuevo derecho* and the other sum earmarked to *alcabalas*. If initially both batches of *juros* were worth 116,000 ducats each, an accounting

⁹¹⁹ 'AGS, CJH, Leg. 34, 54'.

⁹²⁰ Ibid.

⁹²¹ 'AGS, DGT, Inv. 24, 1458'; 'AGS, DGT, Inv. 24, Leg. 491'.

report from the Council of Finances pinpoints the names of bondholders who held *juros* on the *nuevo derecho*, which allows us to cross-reference them with the *cargo y datta* reports.⁹²² The result of this comparative analysis shows that bondholders with assets allocated on the new wool exports tax invested 25,622 ducats out of 232,000. Therefore, the intermediation of Grimaldo in the sale of these *juros* from October 1558 to April 1559 was not comparable to the efficiency shown in his previous contract of 22nd May. In effect, the certainty about the fiscal collection of *alcabalas* seems to have been a determining element in the sale.

Chart 15 illustrates the distribution of bondholders and their investments from a comparative perspective. Whereas most of the investors were Genoese lenders (8 out of 10), which can be considered a pattern given the sales of *juros* analysed in the previous chapter, the remaining bondholders were two Castilian women. No Castilian male investor had an interest in investing in royal debt backed by the *nuevo derecho*. The resulting imbalance reflects differences beyond the communities. Genoese financiers continued supporting each other and participating in the sales of *juros* as bondholders or unexpected brokers for third parties.

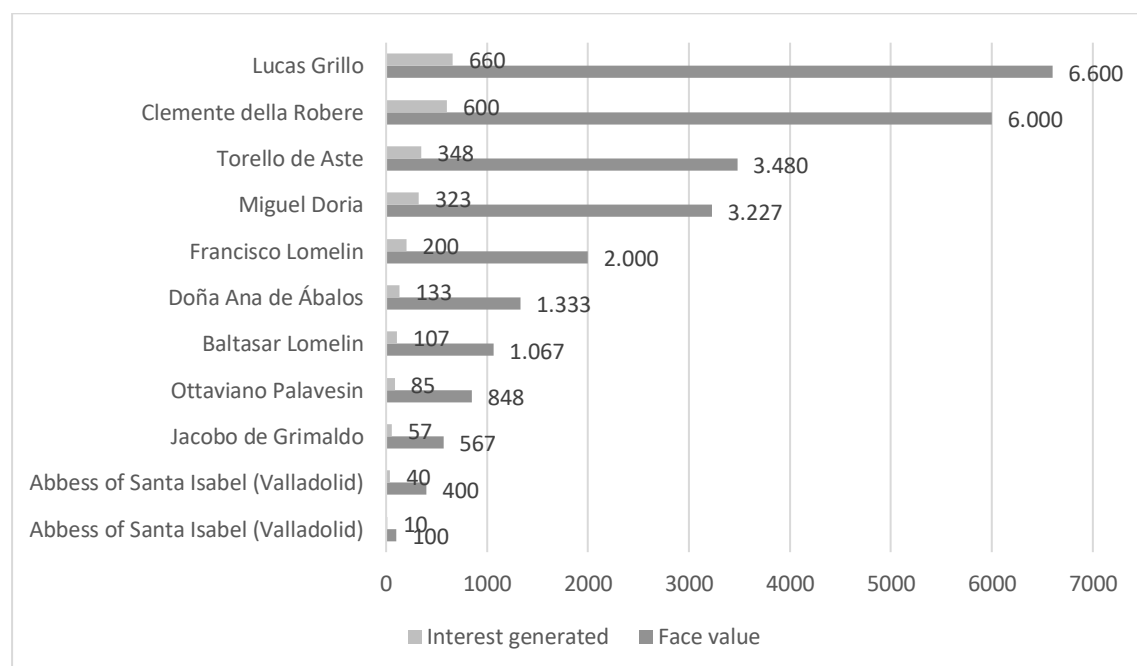


Chart 15: Sale of *juros* at 10% allocated on the *nuevo derecho* for the *asiento* of 5th October 1558 with Nicolao de Grimaldo (in ducats). Sources: AGS, DGT, I-24, legs. 491 and 1458.

⁹²² The report also contains the investments of other bondholders, though their assets are part of another *asiento* signed on 10th April 1559. The approximate date of the report is therefore after April 1559. See 'AGS, CJH, Leg. 35, 23: Lanas de Nicolao de Grimaldo' (Accounting record, 1559).

Some examples of such financial brokerage were Clemente della Robere and Lucas Grillo. The first financier held the debt bond for a long time, to later bequeath it to his sons, who sold it to other Genoese investors from the Doria family.⁹²³ Lucas Grillo, by contrast, preferred to sell part of his *juro* to a Castilian investor, Diego Manuel Bocarro, who may have been part of the clientele of Grillo in Seville.⁹²⁴ Further research is still necessary to discover if the process of brokerage continued among Castilian investors like Bocarro. In this sense, there was no unique profile among the Genoese bondholders registered in the accounting records. This conclusion also applies to Nicolao de Grimaldo, who used to participate as a main investor in the sales analysed in the previous chapter. His absence in this operation seems to have been compensated for by his extraordinary participation in the acquisition of *juros* backed by royal incomes other than the *nuevo derecho*.⁹²⁵ The fact that representative institutions were the guarantors of the debt titles allocated on *alcabalas* seems to have been decisive also for Grimaldo, reflecting how confident he was in the reliability of the other batch of *juros*.

Apart from the Genoese role in the sale, the participation of Castilian women and the absence of their male fellows in the operation is far more revealing. Their female noble titles (*doña*) indicate their social rank, but the information about their debt bonds and lives is limited. Apart from being a *vecina* of Valladolid, there is no trace of Ábalos' life and economic operations in the archives consulted. Her investment, however, was higher than those of three Genoese financiers, which suggests a low interest among Genoese lenders in the sale. The abbess of Santa Isabel of Valladolid, by contrast, offers more information. As head of a religious corporation, her case study is analysed more in-depth in the following pages.⁹²⁶ Briefly though, the abbess of Santa Isabel was Doña Catalina de Herrera, a Franciscan nun who belonged to a low-ranking noble but wealthy family from the countryside of Valladolid. A copy of her bond, held in the *Archivo General de Simancas*, confirms that the abbess of Santa Isabel made two transactions and that the bond was inheritable by the convent.⁹²⁷ In exchange for the regular income to the religious institution, the repeated operations in the

⁹²³ 'AGS, CME, Leg. 166, 15' 1558.

⁹²⁴ 'AGS, CME, Leg. 291, 38' 1559.

⁹²⁵ 'AGS, DGT, Inv. 24, Leg. 491'.

⁹²⁶ See in this chapter 'The Espinosa-Herrera family'.

⁹²⁷ 'AGS, CME, Leg. 178, 39' (Valladolid, 28 January 1559).

same sale suggest two intermediations on the part of Grimaldo, which certainly increased the transaction costs of the investment.

The sale of old debts in *juros* at 10% allocated on the new wool exports tax, notwithstanding its initial failure, continued to be part of the mechanism used by the royal administration to obtain liquidity with which to reimburse its lenders. Another example of this financial tactic was the *asiento* López del Campo signed with Nicolao de Grimaldo on 10th April 1559.⁹²⁸ Chart 16 reflects 14 transactions in which the Castilian and Genoese lending communities were much more balanced than in the previous example (7 and 7 respectively). The two groups present interesting novelties, such as a predominant male presence among the Castilian capitalists and the participation of Nicolao de Grimaldo and his theoretical competitor Costantin Gentil with large investments. The operation resulted in the sale of 151,689 out of the 174,000 ducats that Grimaldo was entitled to market in the contract.⁹²⁹ In short, Grimaldo improved his financial performance, but he continued to struggle to distribute the *juros* allocated on the *nuevo derecho*.

The increasing share of Grimaldo and his clientele in the new tax on wool exports through the sale of *juros* drew the attention of the royal accountants, who estimated their share at 298,072 ducats by 1559.⁹³⁰ The *situado* (royal liabilities) on the wool exports tax for 1559, which registered all the financiers participating in the *nuevo derecho*, was estimated at 529,570 ducats.⁹³¹ In this sense, the bonds that Grimaldo and his clientele held amounted to 56.28% of the *situado*, which underlines the capacity of a single Genoese financier to sell a financial product as a trustworthy investment.

⁹²⁸ The date of this contract has still not been resolved by the literature. While the sources point to the 10th of April as the day of the agreement, Modesto Ulloa proposes the 10th of May while Hernández Esteve claims the 20th of April. See the differences in 'AGS, DGT, Inv. 24, Leg. 491'; Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 147; Hernández Esteve, *La historia de la contabilidad, vía privilegiada de aproximación a la investigación histórica cuentas de los fondos recibidos por la Factoría General de los Reinos de España para financiar la guerra de Felipe II contra el Papa Pablo IV y Enrique II de Francia (1556-1559)*, 130.

⁹²⁹ 'AGS, DGT, Inv. 24, Leg. 491'.

⁹³⁰ 'AGS, CJH, Leg. 35, 23'.

⁹³¹ 'AGS, EMR, Leg. 440'.

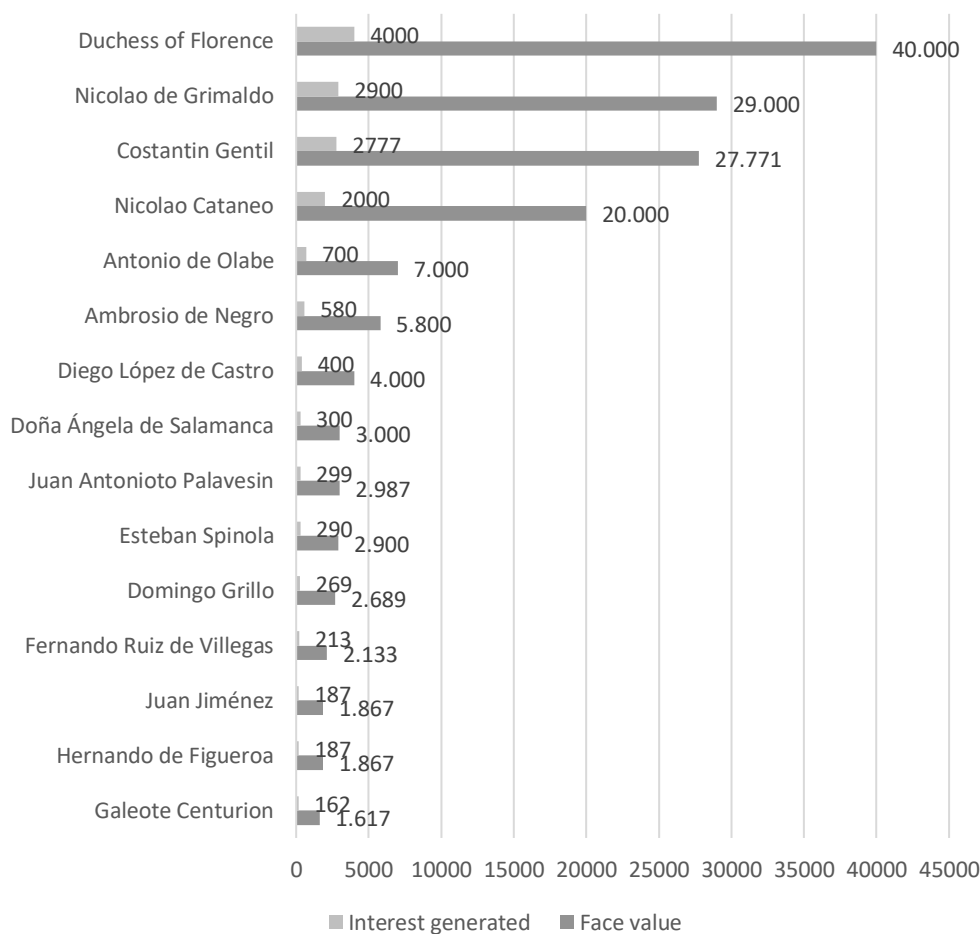


Chart 16: Sale of juros at 10% allocated on the nuevo derecho for the asiento of 10th April 1559 with Nicolao de Grimaldo (in ducats). Sources: AGS, DGT, I-24, leg. 491 and AGS, CJH, leg. 35, 23.

Chart 16 clearly illustrates the differences between the financial capacity of Castilian and Genoese investors. Three different cases demonstrate that Castilian capitalism was strong enough to eventually participate at the same pace as the Genoese financiers. Doña Ángela de Salamanca, Antonio de Olabe, and Juan Jiménez were a medium- to low-ranking noblewoman from Burgos and *vecinos* (possibly merchants) of Vitoria and Valladolid respectively. All of them had in common that nobody paid on their behalf, which suggests that they were able to raise enough capital by themselves in the short term.⁹³² The case of Leonor de Toledo, the highest bidder in the Castilian group and also involved in the sale, is dealt with in the next section because of its peculiarities. Nonetheless, it is important to stress that she was the duchess of Florence and, therefore, she lived in Tuscany (Italy). Her social

⁹³² 'AGS, CME, Leg. 170, 20' 1559; 'AGS, CME, Leg. 335, 28' (Juro file, 1559); 'AGS, CME, Leg. 153, 14' 1559.

position did not allow her to travel to acquire this asset, meaning that someone else paid on her behalf.⁹³³

The Castilian group thus shows its strength and independence, while the Genoese community activated its cooperative system. The case of Galeote Centurione illustrates this behaviour when Felipe Spinola, son-in-law of Nicolao de Grimaldo, paid for the *juro* on Centurione's behalf.⁹³⁴ This service suggests that Centurione was living outside of Castile, probably in Genoa. Spinola would have acted as the agent of Centurione and could also have helped him to collect the interest generated until 1567, when the *juro* was sold to the Castilian investor Miguel Bezera. The identification of the people who collected the interest of 10% on these debt bonds on behalf of distant Genoese investors highlights the importance of this sort of financial service, which logically increased the transaction costs of the long-term relationship between broker and bondholder. Thanks to accounting reports held at the *Archivo General de Simancas*, it is possible to locate the brokers who offered those services.⁹³⁵ The price for those services, however, is data that was kept private and cannot be provided by public documents, such as correspondence and accounting books.

It is clear from this analysis that Nicolao de Grimaldo was entrusted to distribute this financial product backed by the new royal tax on wool exports among his clientele. His own participation in the acquisition of debt titles was not casual. Quite often, Grimaldo appears in the accounting records of the fiscal administrators who supervised the collection of the new fiscal duty. The presence of Grimaldo in these lists was linked to his services as guarantor of the merchants who should pay the tax.⁹³⁶ Although Grimaldo seems not to have been involved in exporting wool himself, his financial strategy covered two aspects regarding the *nuevo derecho* and the *juros* allocated on it. On the one hand, Grimaldo provided services to make the royal tax a trustworthy and regular source of income. On the other hand, his support for making the new tax a regular income enabled him to make a better offer to his clients, from whom he obtained liquidity by distributing *juros*. The difference between the sales of 1558 and 1559 in terms of investments and the quality of investors proves this conclusion. The

⁹³³ 'AGS, CME, Leg. 386, 25': 1559.

⁹³⁴ 'AGS, CME, Leg. 291, 12' 1559.

⁹³⁵ An example in 'AGS, CMC, 2ª Época, Leg. 269' n.d.

⁹³⁶ 'AGS, EMR, 640' n.d.; more details about this aspect of the Genoese strategy in 'Another point of view: the business between Genoese financiers and wool exporters'.

Genoese financier thus created a perfect business in which he could service the *asientos* he had signed while profiting from brokering the savings of local elites for the royal debt. Nevertheless, his project would not have been possible without the participation of other brokers who helped Grimaldo to expand his social reach, which is precisely the topic of the next section.

The process of brokering: a duchess and a merchant related

On 5th June 1559, the royal accountants of princess regent Joanna issued a letter of sale to Eleonora di Toledo, consort duchess of Tuscany.⁹³⁷ That letter entitled Eleonora to receive 4000 ducats annually through a *juro* assigned to the *nuevo derecho*.⁹³⁸ This *juro* was one of those that Nicolao de Grimaldo received from the *asiento* of 600,000 escudos signed on 10th April 1559 to reimburse him for old debts. Although it was common for the purchaser of the *juro* to be present at the transaction, the duchess was not. Her representative, Francisco de Castro Mújica, handed over the 40,000 ducats to pay on her behalf. Previous examples throughout this thesis have demonstrated that granting powers of attorney to someone was a frequent financial strategy among foreign investors, such as the duchess or other Genoese financiers living in Genoa. The duchess chose a businessman from Burgos (Castile) to represent her at the regent's court instead of an official ducal emissary, which reflects the importance of informal institutions in transactions that could be performed by members of formal institutions such as an embassy. Despite his prominent trajectory as a financier and merchant, De Castro Mújica is not a character whose traces are easy to find in the royal archives.

He appears mostly in documents such as bills of exchange or is mentioned in some commercial affairs. His identification, as happens with other businessmen of medium rank, is a complex matter because the private archives of these dealers have not usually survived until today.⁹³⁹ It is possible to make up for the lack of sources about such individuals with notarial records, although this is also problematic because of the high mobility of such businessmen. Their double role as financiers and merchants allowed them to move around the royal court,

⁹³⁷ 'AGS, CME, Leg. 386, 25'.

⁹³⁸ The allocation on the royal income was done after the letter of sale. See 'AGS, CJH, Leg. 35, 23'.

⁹³⁹ Exceptional cases exist, such as Simón Ruiz, a businessman from Medina del Campo who also operated as financier and merchant, or the Jewish merchant community of Livorno. See Vieira Ribeiro, *Early Modern Trading Networks in Europe*; Francesca Trivellato, *The Familiarity of Strangers: The Sephardic Diaspora, Livorno, and Cross-Cultural Trade in the Early Modern Period* (New Haven: Yale University Press, 2009).

fairs, and stock markets, which means that they used notaries who were located in all these spaces. Following the paths of these businessmen becomes almost impossible without a clear starting point, which in the case of Francisco de Castro Mújica is to be found in the *Archivo General de Simancas*. The dialogue between royal and notarial sources has resulted in a brief reference to this subject.

Francisco de Castro Mújica (also Móxica and Mugica) was part of the wealthy bourgeoisie of Burgos by the mid-sixteenth century. His surnames, Castro and Mújica, reflect his heritage as the confluence of two important families of merchants closely linked to the exportation of wool to Flanders and Italy.⁹⁴⁰ His career and social capital among the commercial community of Burgos promoted his appointment in the 1570s and 1580s as consul and prior of the *Consulado de Burgos*, a merchant guild with jurisdiction over the entire Castilian kingdom and branches in other regions of Europe like Bruges.⁹⁴¹ His professional shift from a model of informal institution, such as his business network in the late 1550s, to a formal institution like the *Consulado de Burgos* in the 1570s demonstrates how interconnected and permeable these two models of organisation were.⁹⁴²

Notwithstanding his prominent career, there is no trail of the connection between broker and bondholder before the sale of the *juro*. Unlike many other cases analysed in this thesis, the file that contains the debt bond of the duchess does not include the power of attorney for the Burgos broker, which could have shed light on the notary who managed the transmission of legal powers.⁹⁴³ Furthermore, there is no surviving master book of his businesses, which might have facilitated the analysis of their link. Still, some public archives like the *Archivo General de Simancas* or the *Archivo Histórico Provincial* of Valladolid and Burgos hold some documents on him.

The intermediation of Nicolao de Grimaldo between the duchess and the Burgos businessman was decisive. The *Archivio di Stato* in Florence holds part of the correspondence between Grimaldo and the dukes of Florence from 1554 to 20th February 1558, when the

⁹⁴⁰ Manuel Basas Fernández, 'Burgos En El Comercio Lanero Del Siglo XVI', *Moneda y Crédito* 77 (1961): 37–68.

⁹⁴¹ Manuel Basas Fernández, 'Priores y Cónsules de La Universidad de Mercaderes y Consulado de Burgos En El Siglo XVI', *Boletín de La Institución Fernán González* 161, no. 2º Sem. (1963): 686; Manuel Basas Fernández, *El Consulado de Burgos en el siglo XVI* (Diputación Provincial de Burgos, 1963).

⁹⁴² José Damián González Arce, 'La universidad de mercaderes de Burgos y el consulado castellano en Brujas durante el siglo XV', *En la España Medieval* 33 (2010): 161–202.

⁹⁴³ 'AGS, CME, Leg. 386, 25'.

Genoese lender departed from Genoa for Castile to recover his old debts more effectively.⁹⁴⁴ Once the *asiento* between Nicolao de Grimaldo and the *factor general* López del Campo was signed on 22nd May 1558, the Genoese lender distributed the *juros* that were assigned to him in exchange for his old debts. The correspondence between Grimaldo and the royal accountants Luís de Peralta and Licenciado Montalbán records the name of Francisco de Castro Mújica, which demonstrates that the Burgos businessman was a client of Grimaldo in 1558.⁹⁴⁵

Once Grimaldo arranged the *asiento* of 10th April 1559, which included the mercy of old debts paid in *juros* at 10% analysed in the previous section, the Genoese lender signed a contract with Francisco de Castro Mújica on 19th May.⁹⁴⁶ Castro Mújica promised to pay 40,000 ducats on the duchess' behalf for the acquisition of the *juro*, the official request for which was made to the royal accountants the following month.⁹⁴⁷ The payment to the *factor general* López del Campo was made on 10th June, almost two months after Grimaldo and Castro Mújica signed the contract. In this sense, Grimaldo had continued offering financial services to the dukes of Florence, although he had run out of liquidity to service the purchase of the *juro* on this occasion.⁹⁴⁸

It seems that the contract with Castro Mújica was not intended to end with the acquisition of the *juro* allocated on the *nuevo derecho*. Instead, the Burgos businessman began to work with the duchess on other business in the 1560s and 1570s, such as the grain trade in Málaga in collaboration with Fernando López Gallo, or the administration of a joint wool firm in Florence alongside Antonio Salazar and Gabriel de Castro.⁹⁴⁹ The price for his

⁹⁴⁴ Grimaldo to of Medici, 'ASF, MP, Filze 477, Doc. 282'.

⁹⁴⁵ Nicolao de Grimaldo to Luís de Peralta, 'AGS, CJH, Leg. 35, 39', Letter, (13 October 1558); Nicolao de Grimaldo to Licenciado Montalbán, 'AGS, CJH, Leg. 35, 40', Letter, (13 October 1558).

⁹⁴⁶ Tommaso di Iacoppo de 'Medici, 'ASF, SRP, 4139: Libro Mastro Di Debitori Dei Negozi e Affari Tenuti Di Eleonora Da Toledo (1560-1573)' (Accounting record, n.d.), 259.

⁹⁴⁷ Nicolao de Grimaldo to Licenciado Montalbán, 'AGS, CJH, Leg. 35, 58', Letter, (31 May 1559).

⁹⁴⁸ Once in Castile, Grimaldo had continued doing business with the dukes. A transaction dated 25th March 1558, for example, proves their long-term relationship. See Tommaso di Iacoppo de 'Medici, 'ASF, SRP, 4138: Libro Mastro Di Debitori Dei Negozi e Affari Tenuti Di Eleonora Da Toledo (1558-1560)' (Accounting record, n.d.), 11.

⁹⁴⁹ 'ASF, MP, Filza 635: Lista Di Debittori e Creditori Di Cosimo I e La Duchesa Eleonora Da Toledo' (Accounting record, 1574); de 'Medici, 'ASF, SRP, 4139', 330; Francesco Ammannati and Blanca M. González Talavera, 'The Astudillo Partnership and the Spanish "nation" in the Sixteenth-Century Florence', in *Commercial Networks and European Cities, 1400-1800* (Pickering & Chatto, 2014), 125; Blanca M. González Talavera, 'Presencia y mecenazgo español en la Florencia medicea: de Cosme I a Fernando I' (Editorial de la Universidad de Granada, 2011), 188.

services to the duchess in 1563, for example, was set at 767 Florentine lire.⁹⁵⁰ The absence of the Burgos merchant-financier from the master accounting books of the duchess until 1560 confirms that Grimaldo was the agent who put Elonora di Toledo and Francisco de Castro Mújica in contact with each other.⁹⁵¹ In this sense, the price for the services of Grimaldo in the brokerage of Castro Mújica has not been found in the books of *dare e avere* (a double-entry accounting system) of the duchess' private treasurer, Tommaso de Medici. The contract is surely to be found in one of the notarial collections of the Spanish archives, but the lack of information as to where the document was signed on 19th March 1559 hampers any efficient investigation.

The collection of the interest generated by the duchess's *juro*, by contrast, sheds light on the complex network of brokers that the contract between Grimaldo and Castro Mújica triggered. The letter books of the Astudillo company, which Castro Mújica co-administered in 1559, contain the correspondence logs organised in a yearly series that continues until the end of the sixteenth century.⁹⁵² The 21st book has copies of the letters sent to and from Burgos, besides other Castilian cities, by Melchor de Astudillo between 1559 and 1560. The names on the addressees of these nearly two hundred letters create a list of the people who worked with his company. The most repeated addressees were also leading Burgos merchants: Juan de Béjar, Miguel de Salamanca, Alonso de Astudillo, and Luís de Polanco.

Their presence was not a coincidence as they corresponded to long-term business relationships with the heads of the company in other affairs. For example, Miguel de Salamanca collaborated with Francisco de Castro Mújica in sending bills of exchange to the royal *factor* Juan López Gallo in Flanders by 1558.⁹⁵³ Luís de Polanco, more interesting for the topic of this section, collected the incomes the *juro* of the duchess generated in 1561.⁹⁵⁴ In other words, the business network of Castro Mújica reflects the importance of social capital in informal institutions to work in an 'international' dimension.⁹⁵⁵ However, changes such as

⁹⁵⁰ Apart from his role in the payment and collection of juros, the reimbursement also included services for the grain trade in Granada and 'seggiole' (chairs?). See de 'Medici, 'ASF, SRP, 4139', 330.

⁹⁵¹ de 'Medici, 'ASF, SRP, 4138'.

⁹⁵² 'AN, Fondo Naldini. Serie Libri Di Scrittura per Società Mercantili. Sottoserie Ragione Cantante in Melchior de Astudillo Di Cui Fu Socio Francesco Naldini' n.d.

⁹⁵³ 'AGS, DGT, Inv. 24, Leg. 815' 1559.

⁹⁵⁴ 'AGS, CMC, 2ª Época, Leg. 269'.

⁹⁵⁵ On the role of social capital in business networks see Aslanian, 'Social Capital, "Trust" and the Role of Networks in Julfan Trade'.

the death of Eleonora di Toledo in 1562 and the subsequent transmission of the debt bond to her husband Cosimo I could have had an impact on those business networks. In effect, Bastiano Matti (also found as Sebastian Mati) began to collect the interest on the *juro* in 1564.⁹⁵⁶ Throughout the years, however, the business network of Castro Mújica recovered its role according to the accounting records of López del Campo, which registered collectors such as Juan Curiel de la Torre, Luís de Polanco and Alonso de Rueda.⁹⁵⁷

This section has demonstrated that informal institutions collaborated with one another to provide financial solutions for large polities like the Hispanic Monarchy. Since the allocation of *juros* on the *nuevo derecho* was considered a less reliable royal income than *alcabalas* because of the agency of representative institutions, the lack of trust to attract prospective bondholders like the duchess of Florence made the collaboration between Genoese and Burgos business networks necessary. In this sense, the investment of the duchess helped to reimburse part of the old royal debts to Grimaldo, which facilitated the access of the royal administration to the credit market. Everything was interconnected and interdependent, which stresses the importance of the reliability of the *nuevo derecho* to meet the expectations of its bondholders. The following section addresses how the collaboration between Genoese and Castilian informal institutions also helped to increase the reliability of the new tax, thus reflecting their important role in the consolidation of the early modern state.

7.2. Symbiosis: the business between Genoese financiers and Castilian wool exporters

The *nuevo derecho* on wool exports, published by the princess regent Joanna on 30th April 1558, was part of the masterplan that López del Campo proposed in February 1557 to Philip II.⁹⁵⁸ The new tax was implemented on one of the most profitable businesses of the Hispanic Monarchy.⁹⁵⁹ The exportation of wool involved many transaction costs for

⁹⁵⁶ 'AGS, CMC, 2^a Época, Leg. 269'.

⁹⁵⁷ Ibid.

⁹⁵⁸ On the publication of the new fee see 'AGS, CCG, Leg. 2977' n.d.; Tomás González Presbítero, *Colección de cédulas, cartas-patentes, provisiones, reales órdenes y otros documentos concernientes a las provincias vascongadas: copiados de orden de S.M. de los registros, minutas y escrituras existentes en el Real Archivo de Simancas, y en los de las secretarías de estado y del despacho y otras oficinas de la Corte* (Madrid: Imprenta Real, 1829), 112; on the suggestion to enact the tax see Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 62'.

⁹⁵⁹ The literature is abundant, but some works deserve a special mention. See Carla Rahn Phillips and William D. Phillips Jr., *Spain's Golden Fleece: Wool Production and the Wool Trade from the Middle Ages to the Nineteenth Century* (Baltimore: Johns Hopkins University Press, 1997); Luis María Bilbao Bilbao and Emiliano Fernández de Pinedo y Fernández, 'Exportación de lanas, trashumancia y ocupación del espacio en castilla durante los siglos XVI, XVII y XVIII', in *Contribución a la historia de la trashumancia en España* (Madrid: Ministerio de Agricultura, Alimentación y Medio Ambiente, 1996), 343–62; Basas Fernández, 'Burgos En El Comercio Lanero Del Siglo XVI'.

production, refinement, and transportation. The wool trade had its headquarters in Castile, where flocks of sheep were bred and sheared. Most of the fleeces obtained after shearing were exported to the main manufacturing centres of European textiles (the Habsburg Low Countries and Italy) rather than being used by the Castilian industry. Exporting wool was an expensive and long process that demanded large investments from merchants. Exporters would purchase the fleeces from the shepherds about a year beforehand. Afterwards, they would wash the wool in specialised places dispersed in Castile, an operation that was expensive but generated higher profits in the international market.⁹⁶⁰

The new duty imposed a tariff that taxed one ducat per sack of wool travelling from Castile to Flanders, and two ducats if the wool was exported to France or Italy if the exporter was Castilian. Instead, if the wool exporter or his associates were foreign, the duty doubled. Apart from this, every destination had a different way of weighing the wool, which had an impact on the value of the final duty. Notwithstanding that the new tax increased transaction costs in both destinations, table 6 demonstrates that exporting wool to Flanders incurred a lower fee than to other European regions because the merchants paid less than for other destinations.

Arrobas to export	Destination	Number of sacks	Duty
100 (Castilian)	Flanders	12 (sacks of 8.5 arrobas)	12 ducats
100 (foreigner)			24 ducats
100 (Castilian)	France, Italy, others	10 (sacks of 10 arrobas)	20 ducats
100 (foreigner)			40 ducats

Table 6: Comparison of the costs to export 100 arrobas of wool for a Castilian and for a foreigner.

The *factor general* had foreseen that the fiscal novelty could create unrest among the main groups of merchants from Burgos and Seville.⁹⁶¹ In other words, the concerns of López del Campo reflect the fact that members of informal institutions could channel their

⁹⁶⁰ Rafael María Girón Pascual, 'Los Lavaderos de Lana de Huescar (Granada) y El Comercio Genoves En La Edad Moderna', in *Génova y La Monarquía Hispánica (1528-1713)*, vol. 1, 2 vols (Società Ligure di Storia Patria, 2011), 191–202. For example, 17 arrobas of dirty wool were worth 8 of washed wool in the market. See Henri Lapeyre, *El comercio exterior de Castilla a través de las aduanas de Felipe II* (Valladolid: Universidad de Valladolid, Facultad de Filosofía y Letras, 1981), 170.

⁹⁶¹ Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 62'.

complaints and influence through formal institutions such as the Castilian *cortes*. To counteract any resistance, the general *factor* had suggested that Philip II should negotiate the abolition of a decree that obliged wool exporters to bring clothes and lines back to Castile from France.

The Castilian merchant community had a long experience in that monarchy. In the fifteenth century, for example, businessmen from Burgos were active in important commercial hubs such as Rouen, Nantes, La Rochelle, and Toulouse to import fine clothes, wine, naval supplies, or pastel, besides being intermediary points with the northern trade.⁹⁶² Notwithstanding the apparent preference for Flanders, Lapeyre discovered that some cargoes went to Flanders to then return to Rouen because this longer round trip was cheaper than paying the duty exporting from Castile to France directly.⁹⁶³

The abolition of the law on clothes imports, therefore, could lower the transaction costs for those business communities in exchange for their collaboration with the new tax on wool exports. In this sense, the aim of the negotiation was that informal commercial institutions refrained from channelling their complaints through representative bodies, which could enforce a penalty on the monarchy by rejecting the concession of *servicios* at the following meeting. Furthermore, the fiscal and commercial reorganisation was aimed as an attack on French industry, to counter the embargo by that monarchy, and provide funds to reimburse the old debts of the monarch.⁹⁶⁴

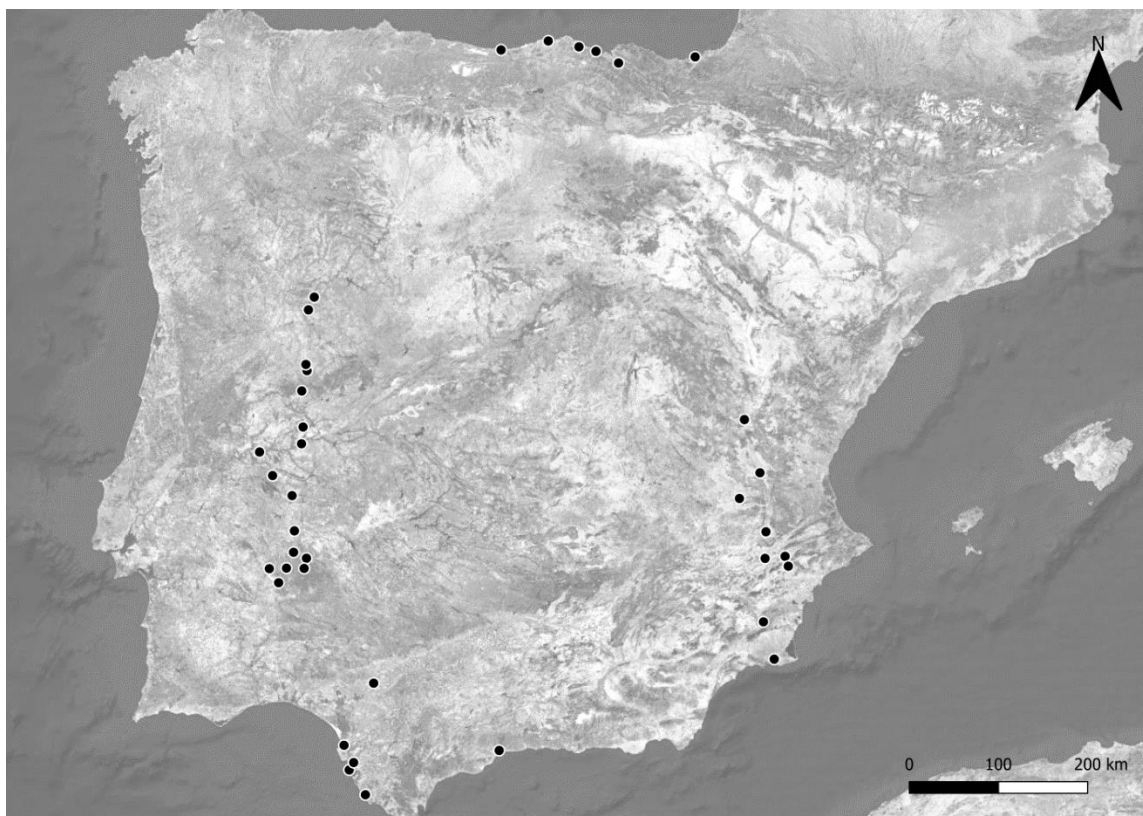
The collection of the new tax was organised at three levels: general, regional, and local. The first level consisted of a general collector, who received the earnings that the tax generated from multiple exporting sea and dry ports in Castile. Since the general collector was unable to collect these sums of money by himself alone, he collaborated with regional administrators. Map 4 illustrates the geographical points where the duty was collected under the close supervision of those regional custom officials. They were four, one per jurisdiction,

⁹⁶² Hilario Casado Alonso, 'Circuitos comerciales y flujos financieros en Castilla a fines de la Edad Media e inicios de la Modernidad' (Estados y mercados financieros en el occidente cristiano (siglos XIII- XVI): XLI Semana de Estudios Medievales, Estella, 15-18 de julio de 2014, Gobierno de Navarra, 2014), 284.

⁹⁶³ Lapeyre, *El comercio exterior de Castilla a través de las aduanas de Felipe II*, 185.

⁹⁶⁴ Carla Rahn Phillips, 'The Spanish Wool Trade, 1500–1780', *The Journal of Economic History* 42, no. 4 (1982): 781; Lapeyre, *El comercio exterior de Castilla a través de las aduanas de Felipe II*, 171; Fernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 62'.

covering the exports in the north, east, west, and south of Castile.⁹⁶⁵ These regional administrators settled in the main ports of their jurisdictions and hired local collectors, people who really enforced the new norms at local level in the dry and sea ports of Castile and the Basque Provinces.



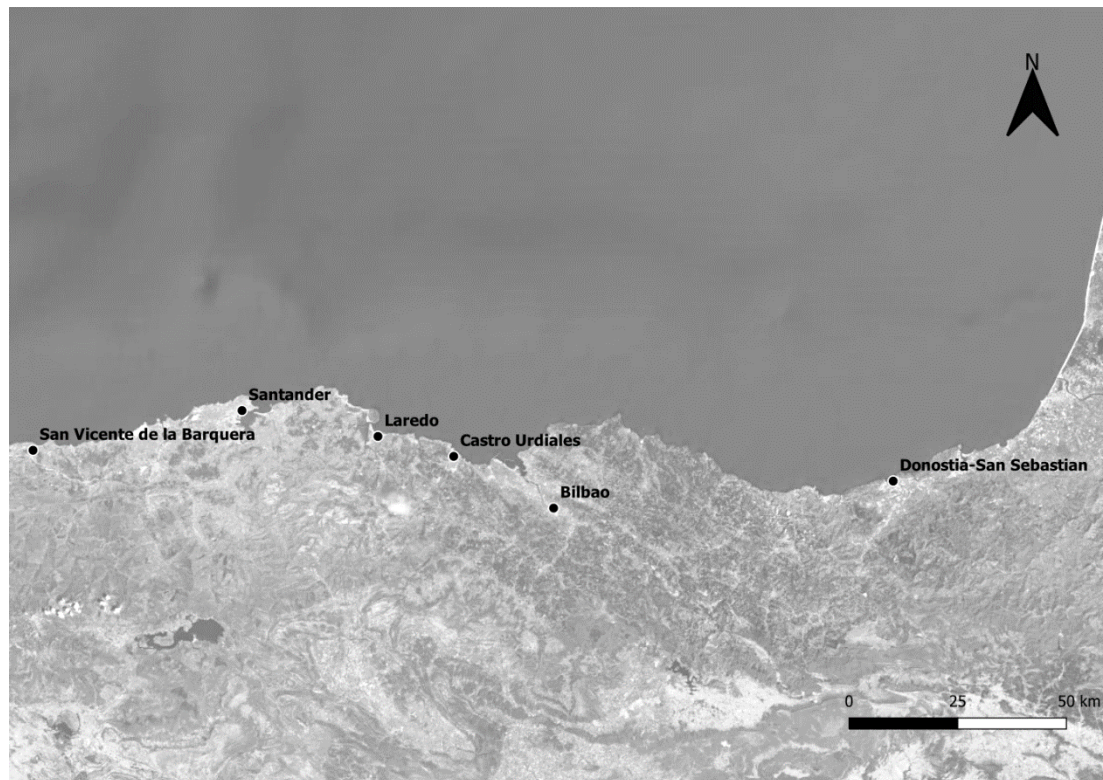
Map 4. Towns where the new duty was collected in 1558-1559. Sources: AGS, CMC, 2ª Época, 207, AGS, CMC, 1ª Época, 1559, AGS, EMR, leg. 440.

When the new tax was finally enacted in April 1558, the royal administration initiated a legal process to instruct those officials in their new tasks. This procedure was progressive, which shows a surprising timing in completing this process. A remarkable example is the administration of the northern region, which included Guipuzcoa, Biscay, and the *Cuatro Villas de la Mar*. Map 5 details which specific ports fell under this jurisdiction, which covered the main exporting routes towards the Northern Sea.⁹⁶⁶ They were assigned to Diego Alonso

⁹⁶⁵ Lapeyre, *El comercio exterior de Castilla a través de las aduanas de Felipe II*, 174–75.

⁹⁶⁶ Grafe also includes the port of Deva in her analysis about the evolution of the wool exports in the northern area. That seaport has not been included on the map because it does not appear in the records for the initial years, especially those referring to local collectors. Therefore, Deva was incorporated in the following years to the regional ports. See Regina Grafe, *Entre el mundo ibérico y el atlántico: comercio y especialización regional, 1550-1650* (Bilbao: Diputación Foral de Bizkaia, Departamento de Cultura, 2005), 80.

de Maluenda on 29th May 1558, barely a month after the enactment of the new tax.⁹⁶⁷ The remaining instructions of that year, those of the southern and eastern borders, were not officially announced until 19th August and 30th September 1558 respectively. In other words, there were almost three months between the first and second instructions, something that the literature does not seem to have considered. The causes behind this administrative delay are still unclear, though it suggests that there were multiple elements involved.



Map 5. Northern ports where the new duty was collected in 1558. Source: AGS, CMC, 2ª Época, 207.

First, the northern exports were a priority because they were one of the main exporting regions in terms of volume of wool sacks. Second, the new fiscal policy was intended to promote the commercial flow towards the Northern Sea, which together with the upcoming departure of the merchant fleet, ensured the collection of abundant earnings for the royal treasury.⁹⁶⁸ Third, the following pages show that the symbiotic relation between Burgos merchants, main wool exporters in the northern seaports, and Genoese financiers ensured the viability of the new tax. Fourth, the establishment of the wool tax in the

⁹⁶⁷ 'AGS, EMR, 640'; 'AGS, CCG, Leg. 2977'.

⁹⁶⁸ The wool was already in the ships ready for its departure that year. Unloading the ships at that moment was not an option, so Philip II instructed the officers of the Consulate of Burgos in Flanders to collect the duty upon the arrival of the fleet. See Basas Fernández, 'Burgos En El Comercio Lanero Del Siglo XVI', 332; Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 330.

Guipuzcoan and Biscayan regions in 1558 was simultaneous to a long-term fiscal and military reorganisation to protect the route to the Northern Sea that required the collaboration of local elites, especially from Bilbao. From the fiscal perspective, Philip II recovered an old Castilian tenth (*diezmos de la mar de Castilla*) on 10th November 1559, once the king returned to Castile, which suggests a long-term policy of fiscal centralisation.⁹⁶⁹ On the military side, local Bilbao elites initiated a period of continuous negotiation and collaboration with the royal administration in the 1560s and 1570s regarding the business of military shipbuilding to provide protection to the northern route.⁹⁷⁰ These four elements contribute to explaining the swiftness in issuing instructions for the fiscal collection on the northern coast.

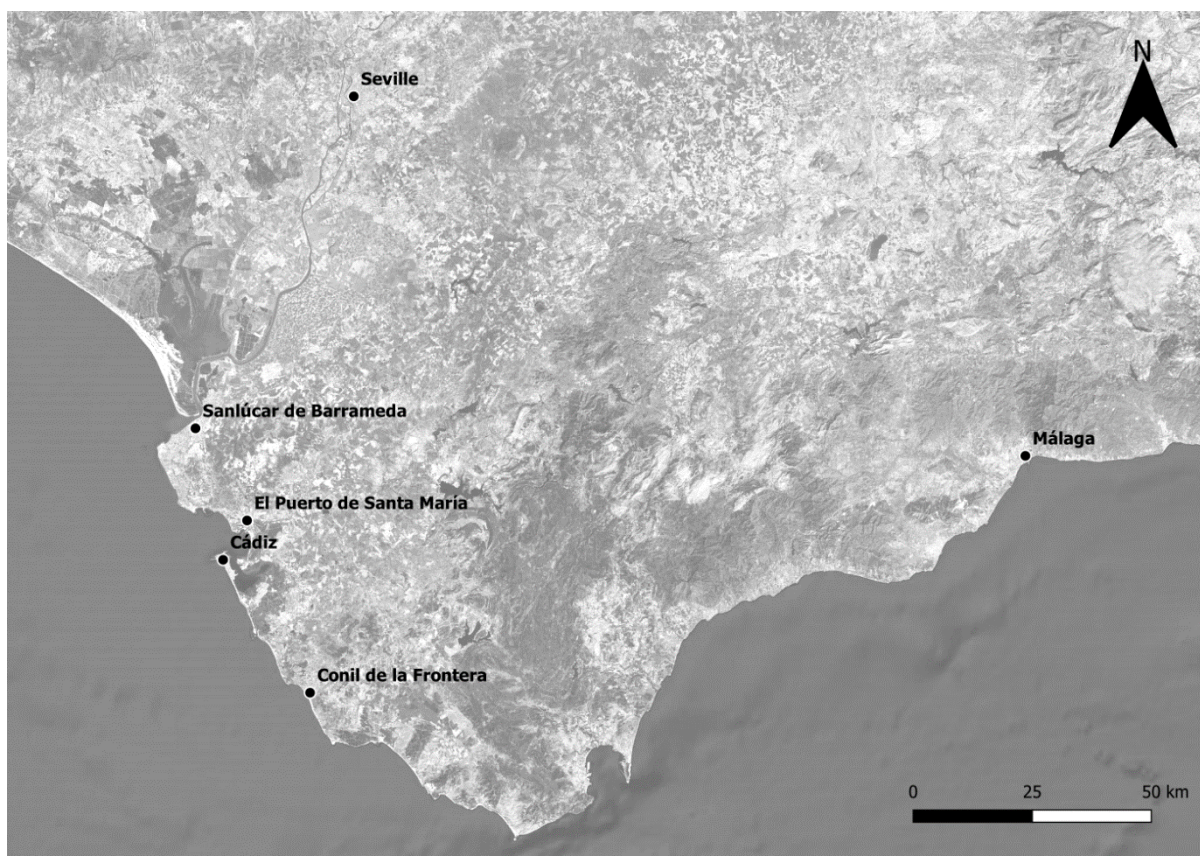
The second regional jurisdiction was enforced in Andalusia, which took place on 19th August 1558.⁹⁷¹ The entire summer had already passed when this fiscal district was delineated. The administration of this region was assigned to Francisco de Moxica or Mújica, another Burgos merchant, who administered this area until 1561.⁹⁷² Mújica was given a commission to administer the fiscal territory on 28th July, though it was not until a month later that he received his instructions. His jurisdiction was set between Torrox (Malaga) and the last seaport before the Portuguese border, though the salaries of his custom officials for this period reveal that Mújica simply enforced the collection in the main ports (map 6). In this sense, the regional administrator understood that not all the exports would pass through the hands of his officials. However, he had to find the right balance between fiscal coercion and administrative sustainability.

⁹⁶⁹ Lapeyre, *El comercio exterior de Castilla a través de las aduanas de Felipe II*, 79.

⁹⁷⁰ Jean-Philippe Priotti, *Bilbao et ses marchands au XVI^e siècle: Genèse d'une croissance*, Histoire et civilisations (Villeneuve d'Ascq: Presses universitaires du Septentrion, 2019).

⁹⁷¹ 'AGS, CCG, Leg. 2977'.

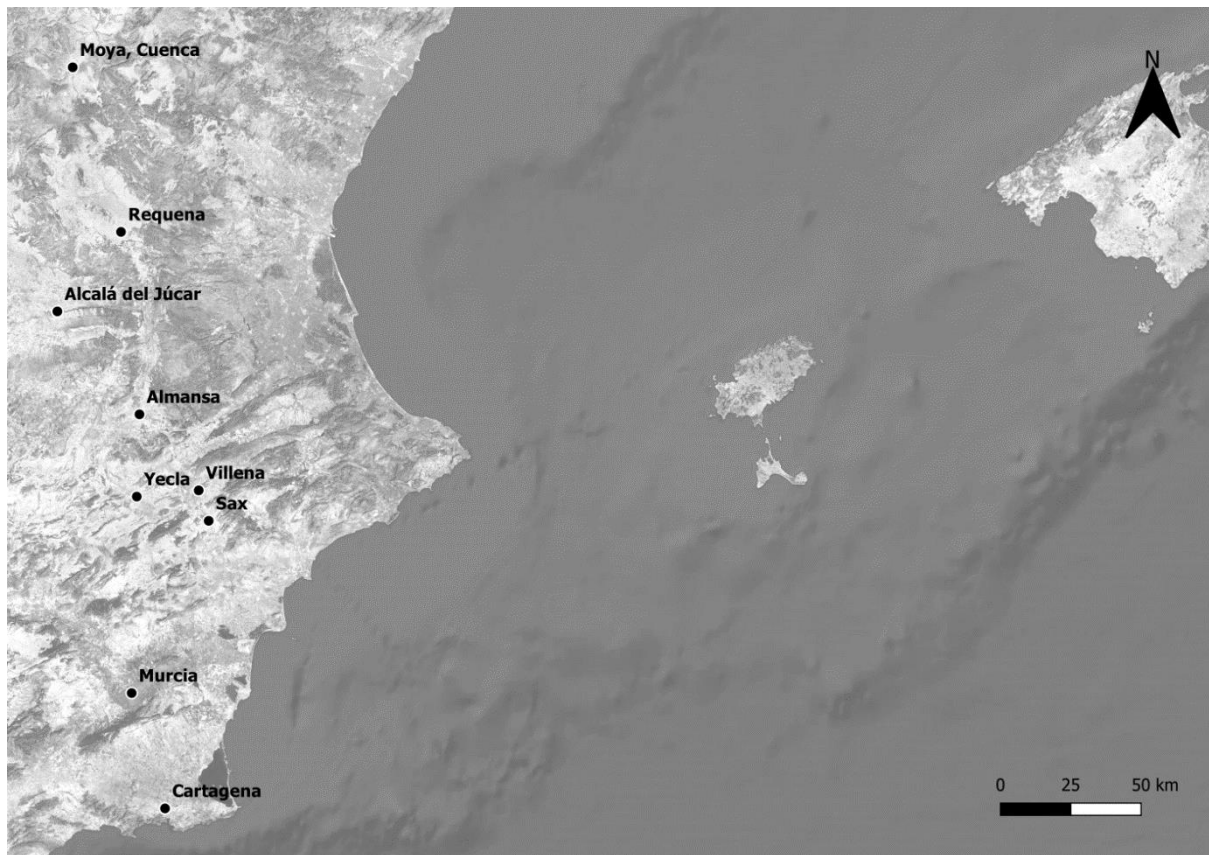
⁹⁷² Ulloa omitted the detail about the period 1559-1560, though Lapeyre confirms the dates. See Lapeyre, *El comercio exterior de Castilla a través de las aduanas de Felipe II*, 175; Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 330.



Map 6. Southern ports where the new duty was collected in 1558. Source: AGS, CMC, 2ª Época, 207.

The third fiscal district administered the dry and seaports located on the south-eastern border between the kingdoms of Castile, Aragon, and Granada. Map 7 shows the multiple towns where Julian de Entiena, the first regional administrator, placed local collectors to enforce control over his fiscal jurisdiction. The flows of exported wool were mostly directed towards Italy, a route that was largely controlled by important Genoese and Milanese businessmen from the medieval period, and especially during the fifteenth century.⁹⁷³

⁹⁷³ Girón Pascual, 'Las Indias de Génova'; Pedro Miralles Martínez, 'Familias genovesas afincadas en Murcia vinculadas al comercio sedero', in *Los extranjeros en la España moderna: actas del I Coloquio Internacional celebrado en Málaga del 28 al 30 de noviembre de 2002.*, ed. María Begoña Villar García and Pilar Pezzi Cristóbal (Málaga: Universidad de Málaga, 2003), 493; Ángel Luis Molina Molina, 'Mercaderes genoveses en Murcia durante la época de los Reyes Católicos (1475-1576)', *Miscelánea Medieval Murciana*, no. 2 (1976): 277–312.



Map 7. Eastern ports where the new duty was collected in 1558. Source: AGS, CMC, 2ª Época, 207.

The duty on the Portuguese border was the last to be enacted, and was delayed until 28th November 1558, probably because it was less common for the wool exports to go in that direction.⁹⁷⁴ In effect, it was much cheaper to export the wool directly from Castile rather than to also pay taxes to exit Portugal, which increased transaction costs. Fernán Ramírez, a *vecino* of Valladolid, was the first regional administrator commissioned to make the collection on this border.⁹⁷⁵ Ramírez owned the *encomienda* of Herrera (modern Herrera de Alcántara), which belonged to the Order of Alcantara and was located on the Portuguese border. In this sense, Ramírez was *señor* of the territory and was used to administering the taxes in that region. This nobleman is an example of how local elites participated in a stakeholder model of the early modern state because of their private interest in its development.⁹⁷⁶

The jurisdiction of Ramírez included the *partido* (district) of the Alcantara Order, the Bishopric of Salamanca, Zamora, and Coria, besides the cities and territories of Ciudad Rodrigo and Badajoz. The border with the Kingdom of Galicia, however, seems not to have required a

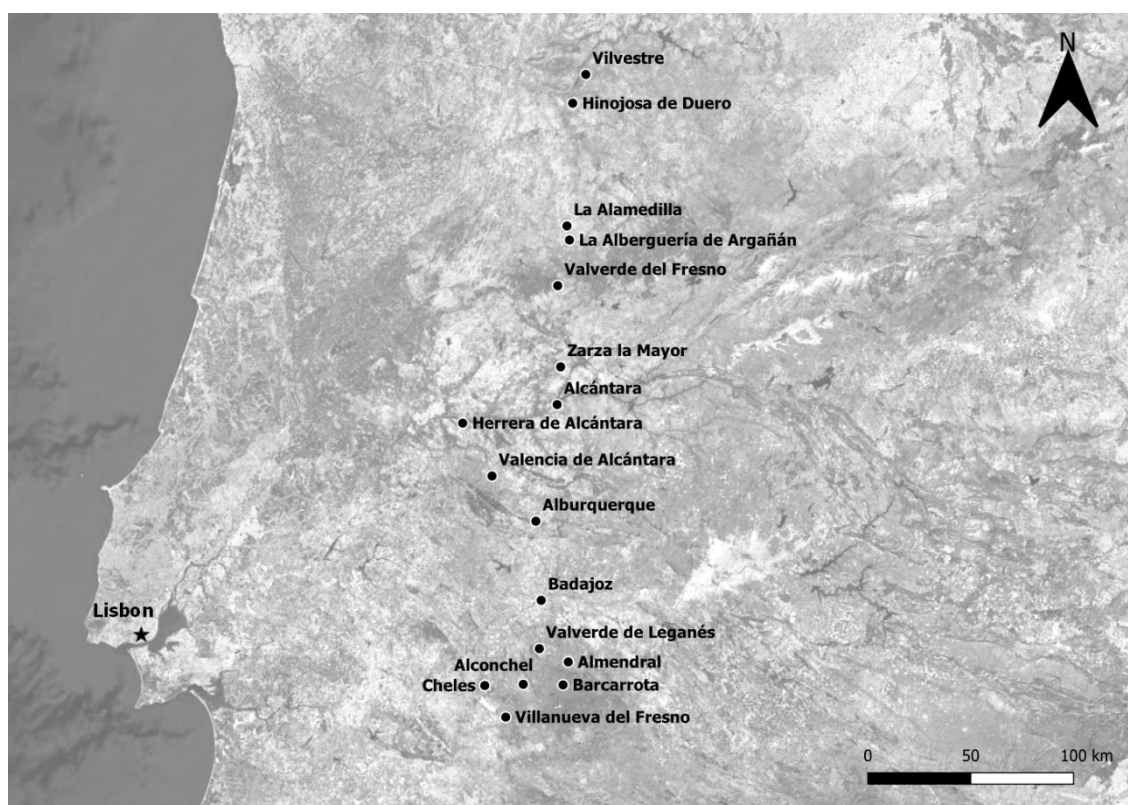
⁹⁷⁴ 'AGS, CCG, Leg. 2977'.

⁹⁷⁵ Ibid.

⁹⁷⁶ On the concept of stakeholder empire, see Grafe and Irigoin, 'A Stakeholder Empire'.

local collector. Until the instructions given by the next administrator, Luis de Polanco, on 19th November 1559, the Galician side of the Portuguese border (the Bishopric of Tuy) was not included in the fiscal district, a detail that seems to have been overlooked in the literature and requires future research.

Map 8 shows which custom offices were active in 1559, at the end of Polanco's first year in office. Although Ciudad Rodrigo should be included according to the initial commission, the sources consulted do not indicate any employee in that city. Nonetheless, Polanco belonged to a powerful merchant family of Burgos and had previously administered the taxes in the dry ports with Portugal until he was appointed to his new office.⁹⁷⁷ Once again, the royal administration employed private entrepreneurs with experience and social capital in the 'national' market.



Map 8. Western dry ports where the new duty was collected in 1559. Source: AGS, EMR, leg. 440.

Looking at these four jurisdictions together, the regency government minimised the coercive costs. Instead of sending officials from the court in Valladolid or the Habsburg Low Countries, the royal administration trusted the administration and collection of the new

⁹⁷⁷ 'AGS, EMR, Leg. 440'; Ulloa, *La Hacienda Real de Castilla En El Reinado de Felipe II*, 247.

duties to private experts in the subject with influence in the region. In this sense, the four jurisdictions were administered by merchants, mostly from Burgos, because of this community's long tradition in such activities. This organisation continued the pattern seen in previous chapters on the system of royal *factors*, who were expert merchant-financiers with extensive experience in the field. The state-building process as based on the role of private assistance, rather than public (royal) agency, can be observed in this administrative process.

Notwithstanding the role of regional administrators, we must also bear in mind the work of those employees who were under the direct orders of these regional managers. People such as Alonso de Maluenda (north), Muxica (south), Entiena (east), and Ramírez (west) required the services of people to enforce and collect the new tax in the minor settlements along the Castilian borders. The regional officials were thus responsible for paying the services of these local collectors, an administrative process that has left its trace in the documentation consulted.⁹⁷⁸

Thanks to these sources, we know the names and positions of these people and can shed some light on their role. Most of the people mentioned in these logs were administrators in the towns they were assigned to, though many others were logistics staff. For example, notaries again take a predominant role in the fiscal cohesion, and hence in the state consolidation, since they would register the fiscal activities of local administrators and sometimes collect the duty when there was no one available for whatever reason.⁹⁷⁹ Death and temporary absences due to travel were among the most common cases. Quite often, there was also a need to inspect the ships on the shores, especially along the southern border, which required a boat to take the administrator and his notary out to check the cargo.⁹⁸⁰ This service was also included in these accounts, adding the profiles of naval suppliers and captains to the list.

Finally, it is noteworthy to realise that local administrators were part of the municipal oligarchy. In Cartagena, for example, we find Joan Espin Cobacho administering the duty in

⁹⁷⁸ Most of the accounts that reveal the names of these subaltern employees in 1558 are in 'AGS, CMC, 2ª Época, Leg. 207' (Accounting record, n.d.).

⁹⁷⁹ An example of this finding was Ginés Sancho de Melgar, notary in Murcia, whose salary amounted to 6,00 maravedis per year. See *ibid.*, sec. 5.

⁹⁸⁰ 'AGS, CMC, 2ª Época, Leg. 207'.

1558.⁹⁸¹ He was a *regidor* in this seaport, a position that probably helped him to become part of the clientele of the regional administrator at that time, Juan de Entiena. In other words, the enactment of this new duty activated large networks of clientelism with a pyramid shape in which everybody depended upon the regional administrators in the last instance. It was they who managed the salaries of these people as well as the money the local officials collected. From their headquarters in the main ports of their jurisdictions, regional administrators were an all-powerful pole for social and economic promotion and state consolidation.⁹⁸²

Were these four people that influential as the system for organising the local tax collection suggests? There were also measures in place to counteract any potential fraud resulting from this fiscal and social system. Three levels can be distinguished in these antifraud measures. First, there was a superregional stage in which the regional administrators had to send their reports to the general administrator. In order to avoid a bond of clientelism between these two royal officials, a regional level was established through the appointment of notaries to oversee the actions of the regional officials. Instead of sending their records to the general collector, these public servants forwarded them directly to the royal accountants of the *Contaduría Mayor de Cuentas*.

This specialised body of the royal administration compared the logs that the royal officials sent from throughout the entire monarchy and contrasted them with each other to check whether there was corruption in the system. In this sense, these royal accountants oversaw the records of the general collector and those of the regional notaries. The third and final level was the imposition of a penalty on the regional administrator if his employees were deceptive in their accounts. The punishment involved forcing the regional official to pay the money that was missing. Once again, the role of regional notaries was crucial for detecting cases of fraud at the local level. However, their coercive actions also reinforced the necessity for establishing trustworthy networks of clientelism between regional officials and their dependants.

⁹⁸¹ Ibid.

⁹⁸² These 'headquarters' were the main exporting ports of each jurisdiction: north (Laredo), south (Seville), east (Yecla), and west (unclear: Alburquerque or Badajoz).

The actions and converging agendas of all these officials, who became involved in a single project after the enactment of the new tax, was a fundamental element in the collection of the duty and the reliability of the *nuevo derecho* to allocate *juros* on it. The role that the royal administration played in framing the fiscal system legally through the instructions to the administrators complemented the hiring of private staff at local level. However, this public-private collaboration resolved just half of the fiscal problem analysed in this section. The other half was entrusted to the Genoese lending community and its financial operations to financially support the exporters of Castilian wool.

Genoese financiers such as Nicolao de Grimaldo and Costantin Gentil, the real architects of the new financial structure, helped keep the wool market alive after the enactment of the new tax. The decline in Castilian commercial activity because of the royal edicts of the 1550s, already examined in the second chapter of this thesis, was exacerbated as result of the new duty another cause because of the increase in transaction costs among merchants. With the new fiscal measure, the lending services of Genoese high-ranking financiers to Castilian wool exporters became more necessary than ever. The literature of the *nuevo derecho* and the wool market has traditionally stressed the interest of royal financiers in the leasing of the new tax, especially in the second half of the seventeenth century.⁹⁸³ The decline of wool exports in that period, which contrasts with the resurgence of the first half of the eighteenth century, suggests that there was always an interest in participating and benefiting from this source of income. However, it is also true that there was a progressive interest of native capitalists in the financing of this trade, which was clearer in the second half of the eighteenth century.⁹⁸⁴

This thesis seeks to contribute to this historiography analysing the participation of Grimaldo and Gentil in the wool market of the mid-sixteenth century, before the interest of financiers shifted to leasing the royal income in a period of uncertainty. Although the Genoese

⁹⁸³ Leaseholders used to offer loans disguised as an advance of money in exchange for the contract, which was a fraudulent and illegal practice that was accepted by the royal treasury because of the urgent need of funds. See Carmen Sanz Ayán, 'La figura de los arrendadores de rentas en la segunda mitad del siglo XVII: la renta de las lanas y sus arrendadores', *Hispania: Revista española de historia* 47, no. 165 (1987): 203–24; Agustín González Enciso, 'Introducción: la lana, negocio financiero', ed. Agustín González Enciso (El negocio de la lana en España (1650-1830), Ediciones Universidad de Navarra. EUNSA, 2001), 22.

⁹⁸⁴ Rafael Torres Sánchez, 'Lana y banca: los servicios financieros al negocio lanero en el siglo XVIII', ed. Agustín González Enciso (El negocio de la lana en España (1650-1830), Ediciones Universidad de Navarra. EUNSA, 2001), 235–68.

lenders helped to keep the wool market alive, the initial downturn was evident. Figure 4 shows the evolution of the tax collection until 1598, highlighting a pronounced decline after the promulgation of the new fiscal imposition in 1558 until January 1563 and June 1566, when the king claimed that tariffs needed to be increased in order to tackle fraud. Whereas informal institutions helped to keep the wool market alive by offering financial services to Castilian merchants, the royal administration (formal institution) collected less revenue until it applied coercive means.⁹⁸⁵

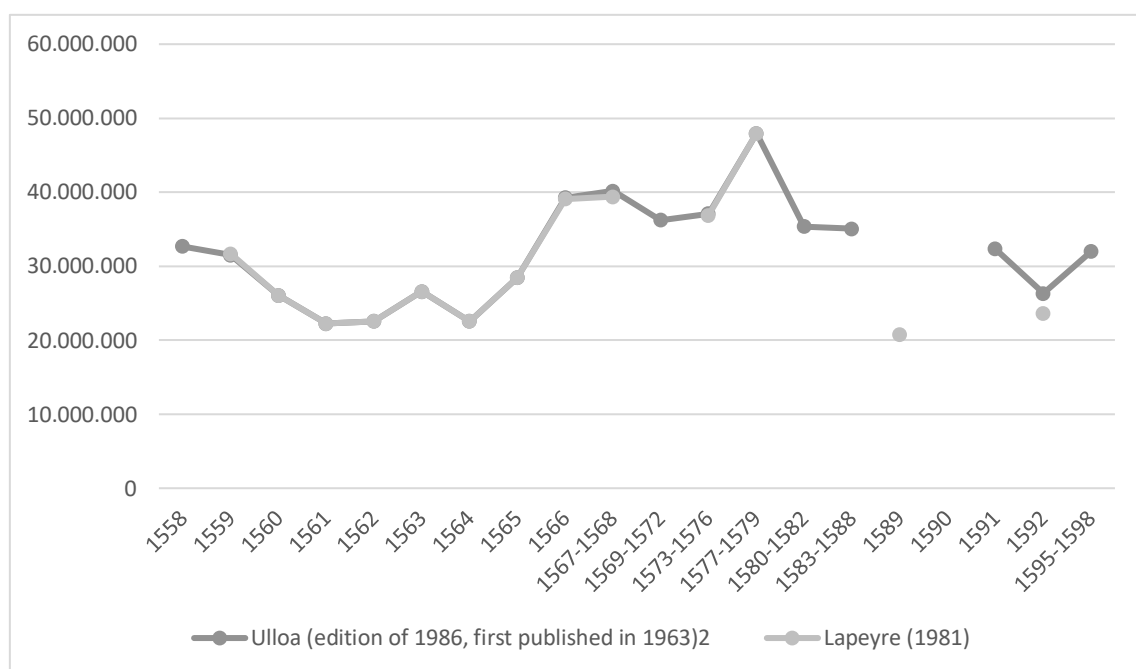


Figure 4: Incomes of the new tax on exported wool (1558-1598). Sources: Modesto Ulloa, *La Hacienda de Felipe II*, p. 334 and Lapeyre, *El comercio exterior de Castilla a través de las aduanas de Felipe II*, p. 195. Note: the intervals of years reflect the annual average of the tax in that period. Ulloa and Lapeyre differ in some of their findings. For the periods 1569-1572 and 1580-1582, Lapeyre only registers the incomes from the northern coast, making comparisons with Ulloa's estimates for those years impossible.

The clash between the interests of businessmen and the central administrative apparatus was already evident at the Castilian *cortes* of 1558, when the urban representatives demanded the abolition of the tax because of economic and legal reasons (request 9).⁹⁸⁶ First, the magistrates criticized that the new tariff could ruin Castilians, foreigners living in Castile, and low ranking nobility (*caballeros* and *hijosdalgo*). Since most of the businessmen who purchased Castilian wool were foreigners living outside the kingdom, noted the representatives, it would be fairer to charge them instead. In this sense, informal institutions like the wool exporters managed to channel their complaints through a formal institution to

⁹⁸⁵ 'AGS, EMR, 640'.

⁹⁸⁶ Real Academia de la Historia, *Cortes de Los Antiguos Reinos de León y de Castilla.*, vol. 5, p. 735.

prevent an economic disaster. The urban delegates also highlighted the problem of charging the *caballeros* and *hijosdalgo*, since they were privileged in fiscal terms. If the sovereign proceeded to charge them also, he would break laws and *pragmáticas*. This legal intrusion, however, was vaguely satisfied by the sovereign because the answer consisted in a future study of the problem.

The Castilian *cortes* of 1559 also reflected discomfort with the state of the wool market.⁹⁸⁷ Most of the complaints dealt with the strategies of some merchants to hoard as much wool as possible to increase its price to local clothmakers (request 34). The delegates also complained of merchants who purchased large quantities of wool to redistribute them among exporters (request 35). This re-sale strategy suggests that foreign merchants used native businessmen as a front to avoid paying the full tariff. These complaints were also accompanied of some subtle requests that alert of the economic impact of the *nuevo derecho*. Exactly, there was an scarcity of low-quality clothes (*pañós bajos*) that was linked to the two problems of hoarding and export-oriented market (request 32).

If the meetings of 1558 and 1559 had remarked the unease of part of the urban elites who could send representatives to the Castilian *cortes*, the meeting of 1563 shows that those urban elites could not offer a serious resistance. The urban representatives requested that the new increase in the wool export tariff, which had been enacted to prevent fraud, be abolished and there would instead be a return to the initial fiscal policy of the tax (chapter 108).⁹⁸⁸ Although the sovereign rejected their petition, this episode reflects the constant bargaining between two economic models: one based on informal institutions that preserved economic activity; and another based on regulations imposed by formal institutions that sought to maximise revenue at the expense of economic growth.

The evolution of this trade was not the same in the Atlantic as in the Mediterranean. Northern exports were in serious decline because of the rebellion in the Habsburg Low Countries and the Anglo-Hispanic maritime conflict, in which the French civil war played an important role. Military conflict and mutual embargos were decisive elements that altered

⁹⁸⁷ Ibid., 824.

⁹⁸⁸ Congreso de los Diputados, *Actas de las Cortes de Castilla, publicadas por acuerdo del Congreso de los Diputados a propuesta de su Comisión de Gobierno Interior* (Madrid: Imprenta Nacional, 1861), 373.

the normal trends of commerce.⁹⁸⁹ The French market absorbed part of the Flemish imports of Castilian wool, but this was not enough and the importance of Burgos for northern wool exports practically vanished by the end of the century.⁹⁹⁰

However, this decline linked to military and political events was simply a transformation. Burgos and its neighbouring regions, the former core of the northern commerce, found new opportunities in trading eastwards to Italy. In effect, the Castilian commercial oligarchies partially displaced the Genoese wool exporters in the Mediterranean area, at the same time as exports were being concentrated in fewer hands than in the initial years of the new tax. According to Lapeyre, '*Castile's centre of gravity had moved southwards*', a tendency recently confirmed for the last quarter of the century.⁹⁹¹ This shift means that informal institutions were dynamic, but also that a decision of a formal institution, such as the enactment of the tax, could transform the former in unexpected ways.

Back to the beginning of the timeline, it is common to find Genoese financiers such as Nicolao de Grimaldo or Costantin Gentil funding Castilian wool merchants from 1558. The analysis of a series of data from 1558 to 1560 sheds light on this issue and allows us to create connections among royal lenders and Castilian merchants beyond the individual analyses of these figures.⁹⁹² For example, graph 1 visualises the multiple connections that existed among wool merchants and lenders registered in the accounting records of royal officials by 1559. Although many businessmen were isolated cases who did not have many ties, it is possible to identify up to five main groups that interconnect at least five people.

Within this 'big league', networks A and B show a higher degree of clustering, which emphasises the role of key lenders in interweaving multiple actors. Whereas group A is clearly marked by its predominant Genoese character, group B illustrates a total absence of non-Castilian businessmen, either merchants or lenders. The first network, nonetheless, allowed for some Burgos merchants to take part in their syndicated operations. This permeable

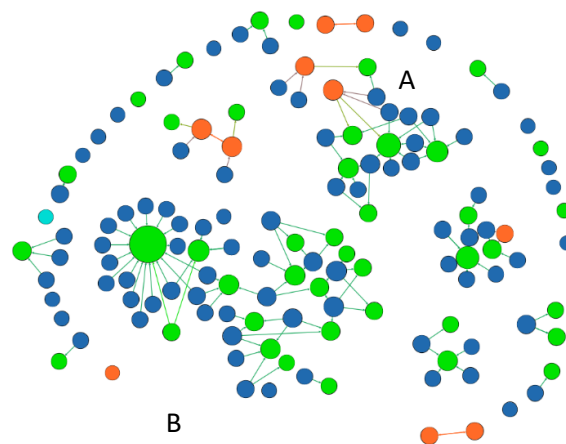
⁹⁸⁹ Grafe, *Entre el mundo ibérico y el atlántico*, 50; Phillips, 'The Spanish Wool Trade, 1500–1780', 781. This pattern continued in the seventeenth century, see Jonathan I Israel, 'Spanish Wool Exports and the European Economy, 1610–40', *The Economic History Review* 33, no. 2 (1980): 208.

⁹⁹⁰ Luis María Bilbao Bilbao and Ramón Lanza García, 'Entre Castilla y Francia: Comercio y Comerciantes En Bilbao a Mediados Del Siglo XVI', *Revista de Historia Económica = Journal of Iberian and Latin American Economic History* 27, no. 1 (2009): 103–40.

⁹⁹¹ Lapeyre, *El comercio exterior de Castilla a través de las aduanas de Felipe II*, 184–91; Girón Pascual, 'Las Indias de Génova', 119.

⁹⁹² 'AGS, CMC, 2ª Época, Leg. 207'; 'AGS, EMR, Leg. 440'; 'AGS, EMR, Leg. 443' (Accounting record, n.d.).

commercial strategy reinforces the traditional literature claiming that Genoese lenders financed Castilian merchants.⁹⁹³ The novelty of this dissertation to that literature is double. First, the Genoese lenders only worked with Burgos merchants because this strategy reinforced the oligopolistic tendencies mentioned before. Second, this study reflects on why these ties did not collapse during the royal financial crisis of 1557 and the new fiscal imposition on exported wool.



Graph 1. Businessmen involved in the duty on exported wool (1559).
Grouped by colours: blue (merchant), green (lender) and red (merchant-lender).
Sized by number of connections. Source: AGS, EMR, 440

If Genoese financiers stopped funding Castilian wool merchants, then the latter would probably have been bankrupted by the new tax on exported wool, because the increase in transaction costs would have reduced their competitiveness next to foreign businessmen. The funding of Genoese financiers became, then, an important tool for wool exporters, who accepted a decrease in their earnings because they had secured the necessary financial backing. In addition, we can detect that the wool exporting companies were now longer lasting than before, and they were based on ties of kinship and reputation. For example, Nicolao de Grimaldo funded a Burgos company led by three of the most prominent merchants of the city, who had relatives in the local council.⁹⁹⁴

⁹⁹³ Eufemio Lorenzo Sanz, ed., *Historia de Medina del Campo y su tierra*, vol. 2 (Valladolid: Ayuntamiento de Medina del Campo, Consejería de Educación y Cultura de la Junta de Castilla y Leon, 1986), 25.

⁹⁹⁴ 'AGS, EMR, Leg. 440'.

The involvement of Genoese high financiers in the exports of Castilian wool offers promising conclusions. Scholars have often focused on the need for the Genoese lending community to export the profits from funding royal enterprises.⁹⁹⁵ The main way to forward the benefits back to Genoa was through the *licencias de saca*, a royal permission to export precious metal outside of the Hispanic borders. Castilian legislation from the thirteenth century banned the practice, a political position that remained practically intact until the reigns of Charles V and Philip II. While the prohibition was active, financiers had to purchase commodities and sell them outside the Hispanic Monarchy to thus collect their profits in precious metal.⁹⁹⁶ In other words, the royal legislation prevented the money in circulation from exiting the realm and promoted the domestic economic circuits.

The financial needs of Charles V and Philip II, however, obliged the sovereigns to temporarily tolerate the exports of precious metal in exchange for financial services. In the years covered by this study, individuals could export precious metals from 1552 until 1560. The resumption of legal exports meant that lenders like the Genoese Nicolao de Grimaldo and Costantin Gentil had no need to invest in commodities to export the profits of their financial services to the monarch. Therefore, the participation of Grimaldo and Gentil in the exports of Castilian wool by funding native merchants reflects the need to make that commerce viable. The goal of these lenders was to support commercial activities that would make possible the collection of the reimbursements of their old debts after the debt consolidation of 1557.

Over the long term, investing in the wool trade was still a profitable business in the 1570s. When Philip II declared another suspension of payments and banned any exportation of bullion from particulars in 1575, for example, the Genoese financiers reinvested their profits in the wool market to resell the product to thus obtain cash in foreign markets.⁹⁹⁷ However, the situation was different from that of 1559 because the Genoese lending community preferred to purchase wool rather than fund Castilian merchants. In this sense, the reaction to the problem of 1575 suggests a need to transport the profits back to Genoa rather than make the royal debts sustainable, as in 1559.

⁹⁹⁵ Ruiz Martín, *Pequeño Capitalismo, Gran Capitalismo*, 137.

⁹⁹⁶ Marcos Martín, 'Deuda Pública, Fiscalidad y Arbitrios En La Corona de Castilla En Los Siglos XVI y XVII', 347.

⁹⁹⁷ Phillips and Phillips Jr., *Spain's Golden Fleece*, 256.

Although the causes of this change of strategy were multiple, one in particular stands out. The war against the rebels in the Habsburg Low Countries led to an increase in the price of insurance and therefore of the price of fleeces in the market, making this product less competitive than other alternatives, such as English wool. As the war continued and worsened with the fall of key ports in the English Channel to the rebels, the principal flow of the wool trade was diverted to Italy, which could not absorb it entirely. The seventeenth century witnessed the slow downfall of this very profitable business that had enjoyed its golden era in the mid-sixteenth century.⁹⁹⁸

This section has emphasised the consequences that the financial rescheduling of Spanish royal debt in April-June 1557 had for the European wool market in the short term. The links between wool exporters and Genoese financiers have shown that clusters were formed whereby the financiers preferred to fund other Genoese businessmen and Burgos merchants, who clearly controlled the wool routes to Italy and Flanders respectively. The rest of the Castilian merchants had to group together to survive, but they were not competitors to the Genoese coalition. The data consulted in this dissertation has demonstrated that Genoese financiers were very selective with their clients, either at selling them *juros* or funding their exports of wool. Because of this, only the better positioned merchants could count on Genoese support, a prize that reinforced the bonds of kinship and reputation among the companies. However, this analysis has been done from a royal perspective, one in which the research has been conducted by using 'state' sources. The following section turns the focus the other way around to discover why prospective bondholders invested in theoretically reliable debt bonds backed by a symbiotic system of financiers and taxpayers, without the participation of representative institutions.

7.3. A view from below: holy investments in local agendas

The third part of this chapter aims to analyse the relationship between high finances and the process of state-building in the Hispanic Monarchy from a bottom-up perspective. Instead of looking at how Genoese financiers channelled private savings to obtain liquidity from the sales of *juros*, this section examines the private agendas that led investors to

⁹⁹⁸ Luis María Bilbao Bilbao, 'Exportación y comercialización de lanas de Castilla durante el siglo XVII (1610-1720)', in *El pasado histórico de Castilla y León: Actas del I Congreso de Historia de Castilla y León celebrado en Valladolid, del 1 al 4 de diciembre de 1982* (I Congreso de Historia de Castilla y León celebrado en Valladolid, del 1 al 4 de diciembre de 1982, Burgos: Junta de Castilla y León, 1983), 225–43.

participating in these financial flows. In other words, the Genoese were not the only social group interested in the new way of royal financing, Castilians were also an active part of the process. The two case studies in this section are of two Castilian convents: Santa Isabel in Valladolid and San Pablo in Toledo. These female religious institutions, which belonged to the Franciscan and Hieronymite orders respectively, acquired *juros* issued during the financial transformation of the late 1550s. The communities studied in this section reflect a common profile that is repeated in the lists of *juros* that Costantin Gentil and Nicolao de Grimaldo distributed with their *asientos* of May 1558.

These religious communities were mainly characterised for being composed by female members of medium-ranking local elites, who joined the religious orders in their youth in line with their family's agenda. The ways by which these nuns became debt holders were varied, though they can be organised into three categories: acquisition, inheritance, or donation. This section shows how all of them came into play and contributed to the conventual economy, which became fundamental for the development of local agendas and, therefore, of state formation.

The Espinosa-Herrera family and the Franciscan Order: the convent of Santa Isabel in Valladolid

On 2nd February 1559, Doña Catalina de Herrera acquired a *juro* allocated to the new tax on exported wool that the princess regent Joanna had enacted the previous year.⁹⁹⁹ Herrera was one of the daughters of Doña Juana de Herrera and the doctor Francisco de Espinosa.¹⁰⁰⁰ Whereas the details about her mother are scarce, her father belonged to the Espinosa, a low-ranking noble family (*hidalga*) of Medina de Rioseco. In this small but important village, where some of the key commercial and financial fairs of Castile already mentioned in this dissertation took place, the Espinosa had a large patrimony and links with the ruling noble elite of the place: the Enríquez.¹⁰⁰¹ The role of Francisco de Espinosa as executor of the last will of Fadrique Enríquez de Velasco, *Almirante de Castilla* and *señor* of Medina de Rioseco, reveals how strong the Espinosa-Enríquez relation was. Although the

⁹⁹⁹ 'AGS, CME, Leg. 178, 39'.

¹⁰⁰⁰ Jesús Urrea Fernández, 'Revisión y novedades junianas en el V Centenario de su nacimiento', *Boletín del Museo Nacional de Escultura*, no. 10 (2006): 12.

¹⁰⁰¹ «AHN, Sección Nobleza, Osuna, Caja 528, Documento 55: Escritura de compraventa otorgada por Francisco de Espinosa a favor de Diego de Espinosa, contador del Almirante de Castilla, de unas casas en la villa de Medina de Rioseco (Valladolid).» (Valladolid, 30 July 1550).

Enríquez seem to be one of the most important assets in the social capital of the Espinosa family, the sources consulted also refer to other noblemen and noblewomen, such as the count of Oñate and the countess of Lemos.¹⁰⁰² Most probably, these friendships helped Francisco de Espinosa to be appointed lawyer in the *Real Chancillería* of Valladolid from 1506.

From this prominent position in one of the two high courts of appeal in Castile, Francisco de Espinosa sought to ensure his lineage both socially and spatially in Valladolid. His eldest son, Jerónimo de Espinosa, continued the family career as jurist in the *Real Chancillería* and married a rich estate holder of Valladolid, Isabel de Monteser, in the 1530s. In 1553, Francisco de Espinosa founded a private patronage on a chapel in the female Franciscan monastery of Santa Isabel in Valladolid, where two of his daughters, Catalina and Juana, already lived as nuns.¹⁰⁰³ A year later, Francisco de Espinosa died and both sisters renounced their family inheritance, which allowed their brother Jerónimo to keep the whole family estate undivided in one piece. The chapel was attached to the real estate that Jerónimo enjoyed in Robladillo, a small village southwest of Valladolid, by right of primogeniture (*mayorazgo*). This legal contract, similar to the English concept of entailed estate, kept the chapel in family hands, avoiding the return of the church of Santa Isabel to the convent. Undoubtedly, this type of property had a special place in the family agenda. Jerónimo became *señor* of Robladillo and pursued the enlargement of his political and spatial representation in the region. His goal motivated him to have his own chapel built in the Dominican convent of San Agustín, very close to Santa Isabel, in 1592 (image 1).¹⁰⁰⁴

¹⁰⁰² Alfonso Guilarte Zapatero, 'Algunas observaciones acerca del doctor Espinosa y su obra', *Anuario de historia del derecho español*, no. 16 (1945): 714.

¹⁰⁰³ Urrea Fernández, 'Revisión y novedades junianas en el V Centenario de su nacimiento', 12.

¹⁰⁰⁴ Alonso Pérez, 'ARCV, Planos y Dibujos, Desglosados, 381: Traza de La Reja de La Capilla de Jerónimo Espinosa En El Convento de San Agustín de Valladolid' (Visual record, Valladolid, 1592).

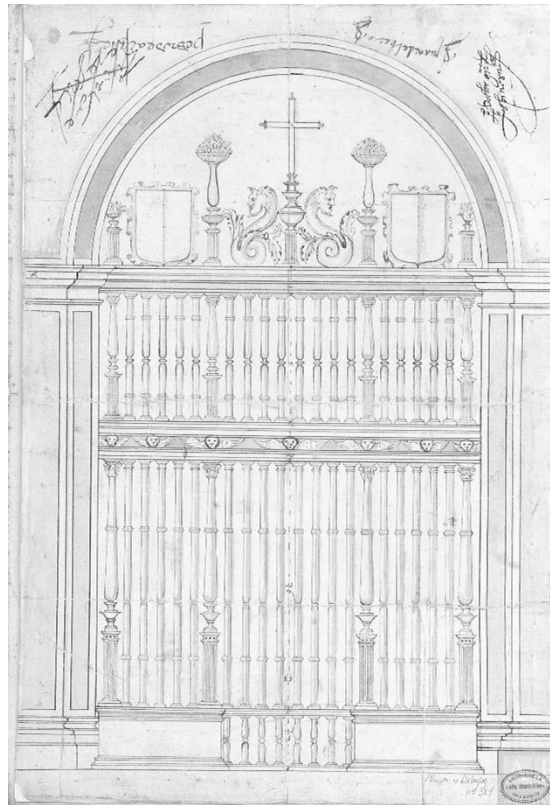


Image 1: Draft of the grille that Jerónimo de Espinosa ordered to place in San Agustín.

Source: ARCHV, Planos y dibujos, desglosados, 381

Although there are no surviving sketches of the Espinosa chapel in Santa Isabel, the above drawing of the grille in San Agustín exemplifies the symbolism that a chapel displayed. Whereas the grille created a private space within a public one, the fence also let people see what was inside. In other words, the common faithful could see through the grille what they could not achieve: wealth and social status in the local society.¹⁰⁰⁵ Sometimes, the foundation of chapels required the permission of the conventual patron, who was member of a noble family. This market of private spaces in religious institutions frames the case study of the Herrera family. In this sense, the construction of chapels by the Espinosa family illustrates an ideology of the social order that existed throughout all the territories of the Hispanic monarchy.¹⁰⁰⁶ Notwithstanding the differences with higher social groups, who could issue patronage on convents and churches, the two Espinosa chapels were a symbol of the family wealth and social influence as they were located in very specific spaces. They were

¹⁰⁰⁵ Atienza López, *Tiempos de conventos*, 205.

¹⁰⁰⁶ Gerónimo Costilla, a second son of his lineage (*segundón*), founded a chapel in the monastery of Santa Clara (Cuzco) with similar dates to that of the Espinosa. See Kathryn Burns, *Colonial Habits: Convents and the Spiritual Economy of Cuzco, Peru* (Durham, NC: Duke University Press, 1999), 51.

constructed in the churches of monasteries that belonged to regular religious orders (Franciscan and Dominican) instead of in the local collegiate churches. This distinction shows the limits of the Espinosa family to appropriate urban and social spaces for themselves in Valladolid.

Although the patronage of chapels was a means of self-representation and a demonstration of power, it was also a long-term investment. Chapels were an aid to promote selected nuns who were already part of the religious community to higher positions. A notarial protocol dated 1572, for example, lists four Espinosa nuns as members of the chapter of Santa Isabel, a number that increased to five a year later.¹⁰⁰⁷ In less than 25 years, the Espinosa family had occupied a third of the seats with the right to vote in the ruling council of the convent. This assault on the religious institution had initially started with the appointment of Doña Catalina de Herrera as abbess from 1553 to the end of July 1575, when the vicar nun Doña Ana Enríquez was elected as the head of her community.¹⁰⁰⁸ The progressive Espinosa influence in the convent seems to have evolved from the initial patronage established in 1553 by Francisco de Espinosa.

That spatial appropriation did not find its echo only in the community that formed the monastery, but also in the economic policies that followed the promotion of Doña Catalina de Herrera. Although the old conventual archive disappeared after the Spanish Civil War (1936-1939), a master book of accounts (*libro becerro*) and some fiscal reports that the Franciscan Order issued between 1577 and 1582 are still held at the *Archivo Histórico Nacional* of Madrid.¹⁰⁰⁹ Although the book is a succinct description of the real estate and financial assets that the convent owned, the latter source is much more precise and offers a more meaningful reconstruction of what happened during the Espinosa rule.

¹⁰⁰⁷ 'AGS, CME, Leg. 383, 18' (Accounting record, Valladolid, 1572), 18.

¹⁰⁰⁸ It is worth noting the presence of Enríquez relatives in the convent, which is precisely the same family with which the Espinosa had a close link in Medina de Rioseco. See 'AHN, Clero, Libros, 17.501: Libro Becerro Del Monasterio de Santa Isabel de La Hacienda, Juros y Rentas, Pan y Otras Cosas y Cuentas de Lo Mismo' (Accounting record, Valladolid, 1577).

¹⁰⁰⁹ The conventual books were destroyed by rain when they were buried in pots in the monastery garden for their protection during the Spanish Civil War.

These documents show that the financial operations that took place inside the convent were distinguished from those made by the institution and the ones undertaken by the nuns alone. Quite often, the conventual and private savings of the nuns were employed to purchase something that the community needed or was interested in. These operations were mainly categorized as *censos* (leasehold contracts) and *juros*. The former were loans in kind or money to private borrowers and other institutions, whereas the latter were the titles of long-term royal debt already analysed in the previous chapters. The reports describe 58 financial operations between 1513 and 1606, allowing us to establish a timeline with, at least, three phases.¹⁰¹⁰

The first one can be classified as the pre-Catalina de Herrera (1513-1553) phase, which was characterized by small *censos* and *juros* backed by taxes that could be directly collected in Valladolid or in the nearby village of Medina del Campo. The second phase covered the administration of Doña Catalina de Herrera (1553 - end June 1575), who undertook larger operations and acquired *juros* backed by Genoese-managed sources of income. The third phase (June 1575-1606) covered the rule of Doña Ana Enríquez, whose administration shows a qualitative shift in the type of borrowers to whom the convent lent. Important noble people are present in this report, such as the count of Olivares, the count of Benavente, and the marquis of Santa Cruz. The *censos* of this third phase reflected the financial difficulties suffered by this social group because of the effects of inflation.¹⁰¹¹

The fact that the Espinosa family made the convent of Santa Isabel a hub for their female human resources during the second half of the sixteenth century directly increased their influence in the city of Valladolid through the decisions taken at the ruling council of the convent. Chart 17 shows the total incomes that the convent was entitled to collect every year between 1553 and 1575, when Doña Catalina de Herrera was abbess. The illustration shows that from the beginning of her management, the conventual economy especially expanded to issue *censos*. Looking at the people who borrowed from the monastery in those years, most of them lived in Valladolid or in nearby villages.

¹⁰¹⁰ The records have annotations in the margins up to 1606.

¹⁰¹¹ Bartolomé Bennassar, *Valladolid en el Siglo de Oro: una ciudad de Castilla y su entorno agrario en el siglo XVI* (Ámbito, 1989), 244.

The stream of earnings the *juros* generated, by contrast, was quite often related to Genoese financiers who managed their market, as happened in 1559 with Nicolao de Grimaldo. The Genoese collaboration also included paying and collecting money on behalf of the institution.¹⁰¹² Indeed, Francisco Lomelin, a Genoese financier who also acquired a *juro* in 1559 from the pack in which Doña Catalina de Herrera participated, had paid for another *juro* on the convent's behalf in 1553. This coincidence suggests that it was Lomelin who brokered the inclusion of Doña Catalina de Herrera among the clients of Grimaldo, who had arrived in Valladolid in 1558. In this sense, the convent did not have just a relatively strong connection with Genoese brokers but also with their Castilian assistants, thus showing its strategy of diversification.

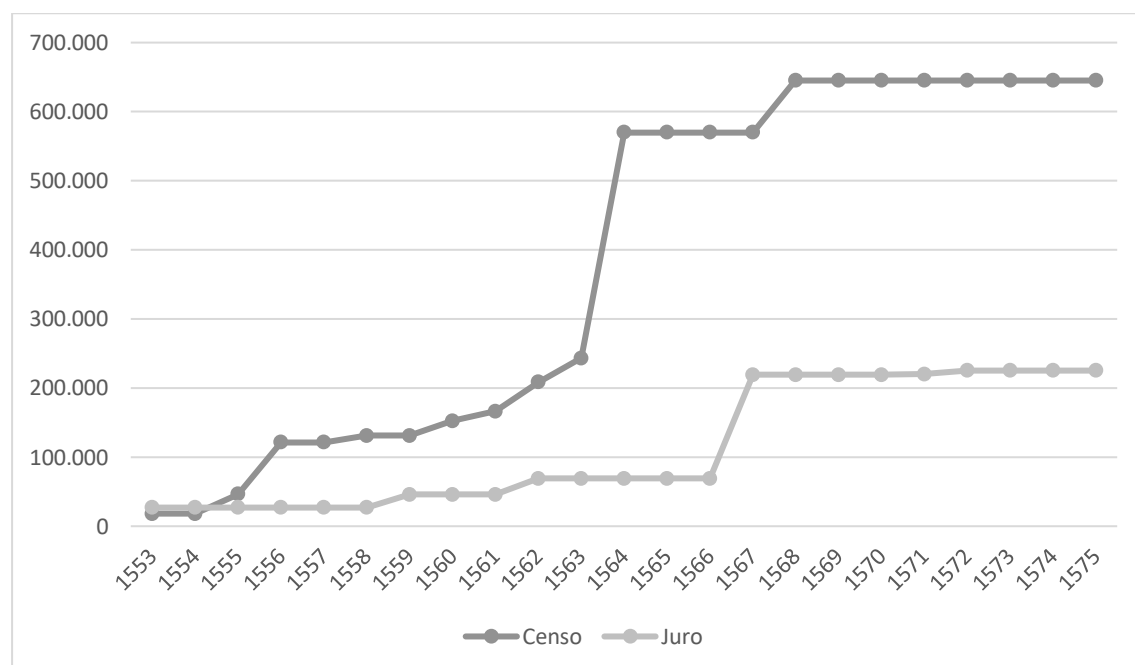


Chart 17: Interest generated by the censos and juros of the convent of Santa Isabel in maravedis between 1553 and 1575. Source: AHN, Clero, Libros, 17.501.

Leaving aside who paid what, Santa Isabel progressively increased its portfolio and could offer more financial services to local borrowers than was surely spent on local projects in Valladolid. These investments can only be tracked by looking at notarial protocols, which show how these contracts were made. First, borrowers and a notary congregated with the conventual chapter at a specific space in the monastery called *ayuntamiento* (council), where

¹⁰¹² The Genoese representation of the convent was, however, discontinuous. Pedro de Monteser, a relative of the sister-in-law of Catalina de Herrera collected the interest on the *juro* allocated to the new right on exported wool on the convent's behalf in 1561 and 1562. 'AGS, CMC, 2ª Época, Leg. 269'.

the nuns dealt with their financial operations, either communitarian or private ones. The name of that place was not coincidental, but intentional as Santa Isabel organized itself as though it were a city. There are different arguments that can help to understand this proposal.

The convent had created a ruling council at local level that was embodied by the abbess and a limited number of selected nuns. The community obeyed a religious rule and organized itself according to it. Its top members distributed justice at local level, though their decisions could be appealed to the provincial officials of the religious order in dubious cases. One such instance occurred in 1572 with Friar Diego de Tamayo, the Franciscan provincial for Santa Isabel of Valladolid.¹⁰¹³ The convent of Santa Isabel also had its 'fiscal system', which consisted of issuing mutual liabilities attached to *censos*, turning borrowers into actual taxpayers for rights such as living in a house that belonged to the convent or for the use of land. Furthermore, its economic system distinguished between communal and individual goods, entailing a separation of property rights. All this overlapped with the local economy of Valladolid, and also with that of the other convents in the Franciscan order spread throughout the monarchy. In sum, Santa Isabel, as with many other convents, was a space within larger containers that had an organization that went beyond any local scale.¹⁰¹⁴

Apart from this conceptualization of Santa Isabel as a micro-urban environment, the convent was a solvent and dynamic institution mainly backed by long-term assets. This economy allowed the convent to become a guardian of local liquidity.¹⁰¹⁵ Therefore, its roles mainly involved serving as a bank for local citizens, rich noblemen, international brokers, and the monarchy. Conventual economies thus created interdependent local and outside borrowers. At local level, borrowers could include many types of people: notaries, silversmiths, clergy, stewards, locksmiths, tailors, ropemakers, halter-makers, farmers, lawyers, deputies in the royal chancellery, and local councillors (*regidores*).¹⁰¹⁶ Some of them

¹⁰¹³ 'AGS, CME, Leg. 383, 18'.

¹⁰¹⁴ A similar conclusion in Antonio Luís López Martínez, *La economía de las ordenes religiosas en el antiguo régimen: sus propiedades y rentas en el Reino de Sevilla* (Excma. Diputación Provincial de Sevilla, 1992).

¹⁰¹⁵ A recent review of conventual economies in Ofelia Rey Castelao, 'Las economías monásticas femeninas: un estado de la cuestión' (La historia de las mujeres: Perspectivas actuales, Asociación Española de Investigación de Historia de las Mujeres (AEIHM), 2009), 197–224; Ángela Atienza López, 'La Vida Económica de Los Conventos Femeninos En España Durante La Edad Moderna. De Una Visión General a Planteamientos Más Novedosos', *Ariadna. Revista de Investigación* 21 (2010): 217–54.

¹⁰¹⁶ For the importance of the conventual accounting books, see the essential historiographical review by Marion Reder Gadow, 'Las voces silenciosas de los claustros de clausura', *Cuadernos de historia moderna*, no. 25 (2000): 331.

had an agenda in the convent beyond their loans, such as another Francisco de Espinosa, *regidor* of Valladolid, who sent two of his daughters to join the convent in 1574.¹⁰¹⁷

During the administration of Catalina de Herrera, 17 out of 22 operations were *censos*, but they also had their own individual guarantee. Chart 18 illustrates how the securities of the same financial products were distributed. Housing was the most common collateral in this series of *censos*. Four out of these seventeen operations also included land, which suggests that conventual interests went beyond the city walls. When borrowers took a *censo* from the convent, they had to repay a percentage part of the principal as well as guarantee the full reimbursement with their own patrimony. This percentage had been limited by royal order in 1534 and 1536 to 7.14%, which was precisely what the convent of Santa Isabel annually charged its borrowers until they redeemed their debts.¹⁰¹⁸ Since convents could not compete in price with each other, the difference lay in the quality of the assets lent to local entrepreneurs.



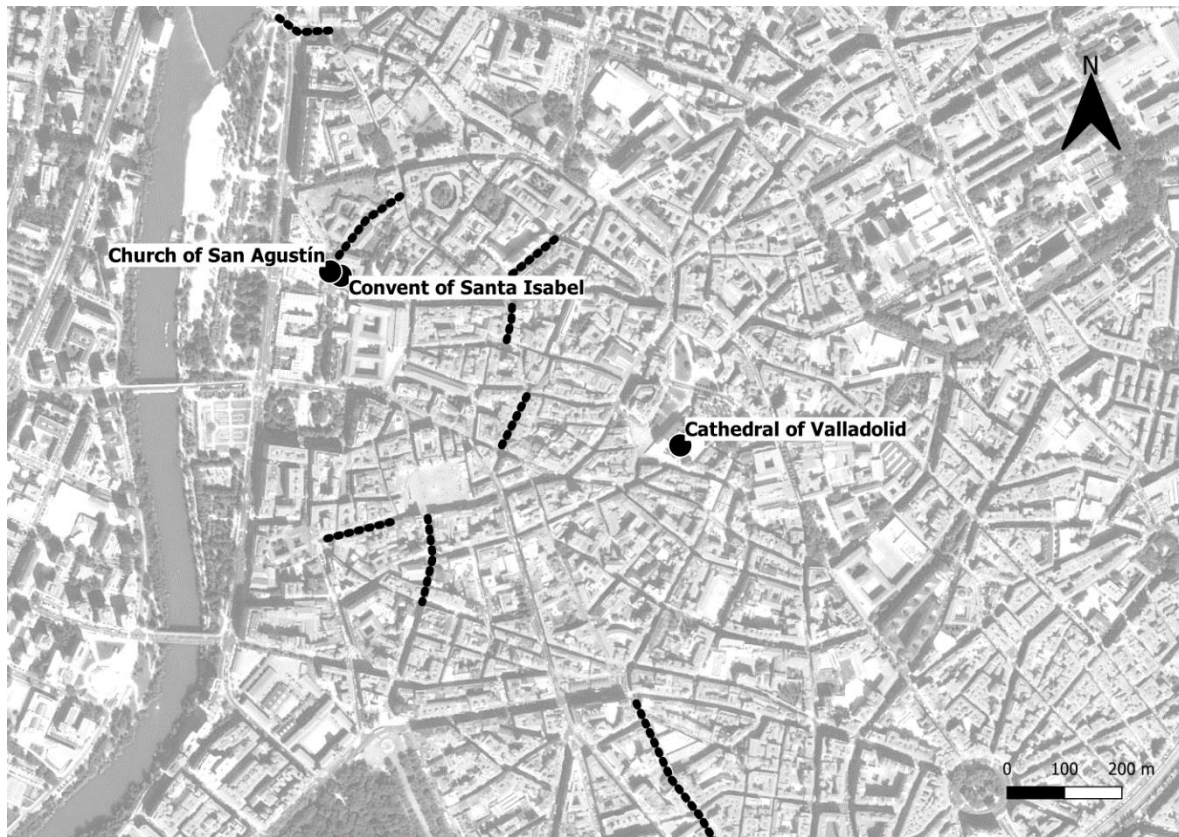
Chart 18. *Censos issued under Catalina de Herrera (1553-1575). Source: AHN, Clero, Libros, 17.501.*

In effect, the conventual *libro becerro* allows us to map where the collaterals that borrowers offered to the convent were located, if they failed to repay their loans (map 9). It is noteworthy that most of the collaterals were located near key economic points in the city, such as around the main square, where the local market was celebrated, or in the streets leading to the gates of the city, where tolls for farmers and traders were charged. The careful selection of collaterals demonstrates that the convent was interested in acquiring important

¹⁰¹⁷ 'AHN, Clero, Libros, 17.501: Libro Becerro'.

¹⁰¹⁸ María de los Ángeles Rodríguez Pérez, 'Censos y tributos: Los conventos de Santa Cruz de La Palma en el Antiguo Régimen y sus economías', *Revista de estudios generales de la Isla de La Palma*, no. 2 (2006): 398.

spaces in the city that could be rented or sold depending on the needs of the moment, which demonstrate they competed.



Map 9. Location of collaterals (dashed lines) of the convent of Santa Isabel between 1513-1575 in Valladolid. Close to Santa Isabel is the church of San Agustín, where Jerónimo de Espinosa founded his own chapel. Note: there is another collateral in the north of the city, but its street disappeared with modernization. Source: AHN, Clero, Libros, 17.501.

As for the *juros* that the convent of Santa Isabel had acquired by purchase or donation, the spaces they were associated with were also carefully selected. Following the strategy of other convents, Santa Isabel held *juros* backed by royal incomes collected in the city of Valladolid, namely *alcabalas*. Chart 19 shows a comparative view with other religious communities of the city throughout the century to put the community in perspective. The convent of Santa Isabel did not enjoy a relevant share of the *alcabalas* collected in Valladolid compared to other religious institutions, such as San Quirce or San Benito, female and male convents respectively. Instead, the convent of Santa Isabel sought to enlarge its financial portfolio with other rents elsewhere.

During the office of Catalina de Herrera, the community acquired *juros* that jointly generated 59,143 maravedis annually (157 ducats) and were backed by royal rents on the Castilian cattle (*servicio* and *montazgo*, and the *nuevo derecho* on exported wool).¹⁰¹⁹ With Ana Enríquez, her parallel strategy of searching for new borrowers for larger *censos* also included other *juros* backed by rents collected outside Valladolid. This shift resulted in the acquisition of a *juro* of 150,000 maravedis of interest on the *alcabalas* of Seville in 1582, which reflects an accumulation of capital during the management of Catalina de Herrera.¹⁰²⁰ Clearly, the convent of Santa Isabel sought reliable rents for its *juros*, which increased its solvency and assured future liquidity to keep issuing new loans.

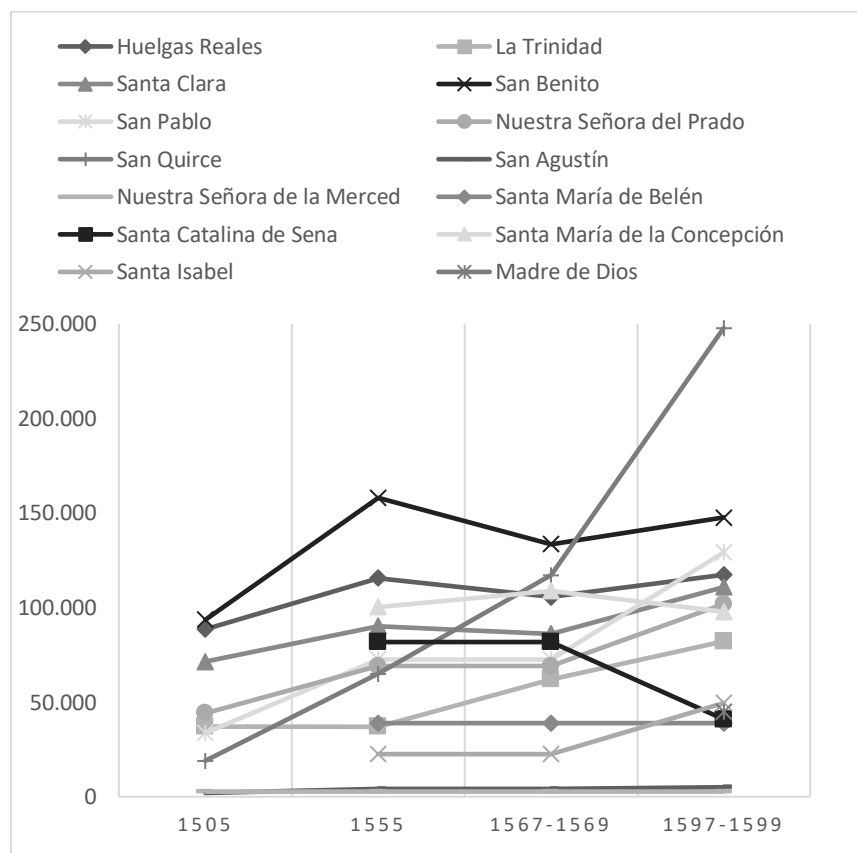


Chart 19. Interest of *juros* backed by the *alcabalas* of Valladolid (in maravedis). Source: Bennassar, *Valladolid en el Siglo de Oro*, 239.

To conclude this section, the first point that this case study has demonstrated is that conventual spaces such as that of Santa Isabel played a key role as hubs of royal and local agendas. Santa Isabel was located within the privileged frame of Valladolid in 1559, when the

¹⁰¹⁹ 'AGS, CME, Leg. 178, 39'; 'AGS, CME, Leg. 35, 37' (Accounting record, Valladolid, 1554); 'AGS, CME, Leg. 35, 51' (Accounting record, Madrid, 1553), 55.

¹⁰²⁰ 'AGS, CME, Leg. 383, 18'.

Castilian city still hosted the royal court. This temporary situation facilitated the confluence of interests and actors, both international and native, in the council of Santa Isabel. Doña Catalina de Herrera, the main representative of the Espinosa family in the religious institution, served as a link with the royal court through her contacts among the Genoese local community. Her inclusion as one of the clients of the Genoese financier Nicolao de Grimaldo shows that religious communities were less isolated than might be expected.

The foundation of the Espinosa chapel in the convent of Santa Isabel triggered the role of the abbess as someone who had agency, though it was the space that she occupied and administered that makes it possible to talk about the state-building process. The flows of liquidity upwards and downwards that the convent managed were connected local and royal economies. In other words, the Espinosa family might not have succeeded in governing the institution, but the convent would have nevertheless continued providing its services to any borrower able to offer suitable collateral. From humble ropemakers to wealthy lawyers and secretaries of the *Real Chancillería*, the convent lent them money to develop their own projects through a *censal* economy. As a result of this policy, the community of nuns gained momentum as a source of liquidity for local citizens, neighbouring localities, and the king. The collaterals that the convent and nuns obtained in exchange for their *censos* reveal that its long-term investments were backed by real estate close to economic urban poles, such as the main square or the gates of the city. Clearly, space mattered both privately and institutionally.

Second, the self-identification of the convent of Santa Isabel as an urban organization suggests a certain degree of independence from the surrounding world, besides the fact that the monastery symbolized the borders of the community and the physical limits of its jurisdiction. However, Santa Isabel was never a closed space, but a permeable one that simultaneously was part of a myriad of other Franciscan convents. This organization is identifiable as a hierarchical superstructure that oversaw the dispersed religious communities. In other words, convents embodied a kind of state that overlapped with that of the Hispanic monarchy. Despite this distinction, both of them fuelled each other, exchanging human and material resources very much like the Genoese and Castilian business communities. The apparently converging narrative and interests of the royal and conventual superstructures is, nonetheless, deceptive. If the monarchy was nourished with the resources of its subjects through the collaboration of Genoese financiers and religious institutions claiming to be

defending Christendom, the convents funded a monarch at war with the Pope and collaborated with Genoese financiers who were symbols of usury. This paradox demonstrates that the differences between discourses and practices were more blurred than might appear in early modern society.

Altogether, these elements have facilitated a re-interpretation of the state-building process. If the state has been studied mainly from political and fiscal-military perspectives, there is also a financial one that complements, rather than substitutes, the other two. This financial view has uncovered two different and complementary worlds that occupy specific spaces. Conventual economies reveal themselves as visible testimonies of that double reality. Although the participation of the convent of Santa Isabel was small in comparison with other bondholders in the sale of *juros* intermediated by Nicolao de Grimaldo, it was the only religious institution that trusted that the *nuevo derecho* on wool exports was a reliable source of long-term incomes. The participation of Francisco Lomelin, a Genoese businessman who had already collaborated with the convent in 1553, may have influenced Doña Catalina de Herrera to trust Nicolao de Grimaldo. In other words, the collaboration of different actors created trustworthy circuits of capital through two spaces.

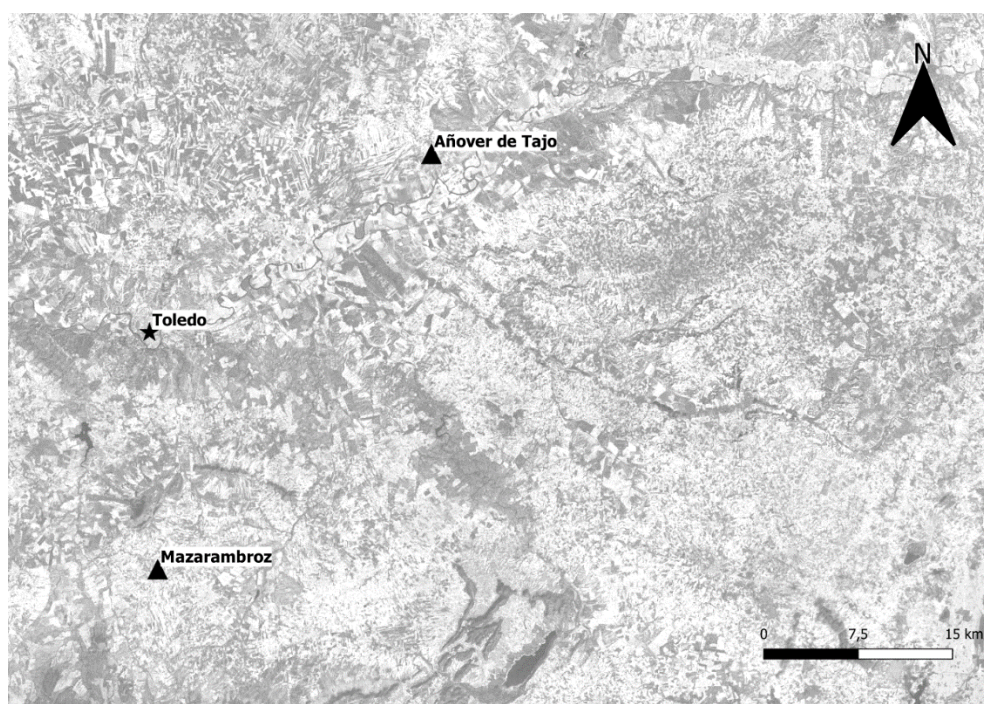
The additional occupation of new chapels in other religious institutions by the brother of Doña Catalina de Herrera suggests that a dynamic strategy of expansion was progressively implemented by the Espinosa family through social representation and conventual economies. Convents were, in sum, agential spaces for actors and practices where the state-building process simultaneously developed at macro and local level. Thanks to this type of institution, Philip II obtained liquidity to repay his financiers while local borrowers of any social status received funding and social spaces to develop their own agendas. No political institution, either at royal or local level, could develop a multilevel interconnection of interests in the same way that a convent like Santa Isabel could.

The Niño-Guevara family and the Hieronymite Order: the convent of San Pablo in Toledo

In this second section on existing relations between bondholders and convents, another case study about the convent of San Pablo in Toledo offers a comparative analysis with the convent of Santa Isabel in Valladolid. The subject of study is a married couple, Rodrigo Niño and Doña Teresa de Guevara. Compared to the Espinosa-Herrera, the Niño-Guevara shared a similar social status in the medium rank of the Castilian nobility. However,

in this case, the focus moves from Valladolid to Toledo, capital of the homonymous archdiocese as well as an important economic and political node in the Hispanic Monarchy.

Doña Teresa de Guevara was the daughter of Don Pedro Vélez de Guevara Dávalos and Doña Costanza de Ayala. Her uncle, Hernando Dávalos, was an important *comunero* leader and *regidor* of Toledo who fled to Portugal and lost several of his properties. Her aunt, Aldonza Carrillo, made Doña Teresa de Guevara and her siblings the legitimate heirs of her patrimony in her last will.¹⁰²¹ In this sense, Doña Teresa de Guevara belonged to one of the wealthiest families of Toledo. Rodrigo Niño was *señor* of Añoover (modern Añoover del Tajo) and Mazarambroz. He inherited these places from his parents, Juan Niño and Doña Aldonza Zapata de Vivero in 1534.¹⁰²² Map 10 illustrates how close these places were to Toledo, where the family resided.



Map 10. *Señoríos of Rodrigo Niño (triangle).* Source: AGS, CME, 53, 7.

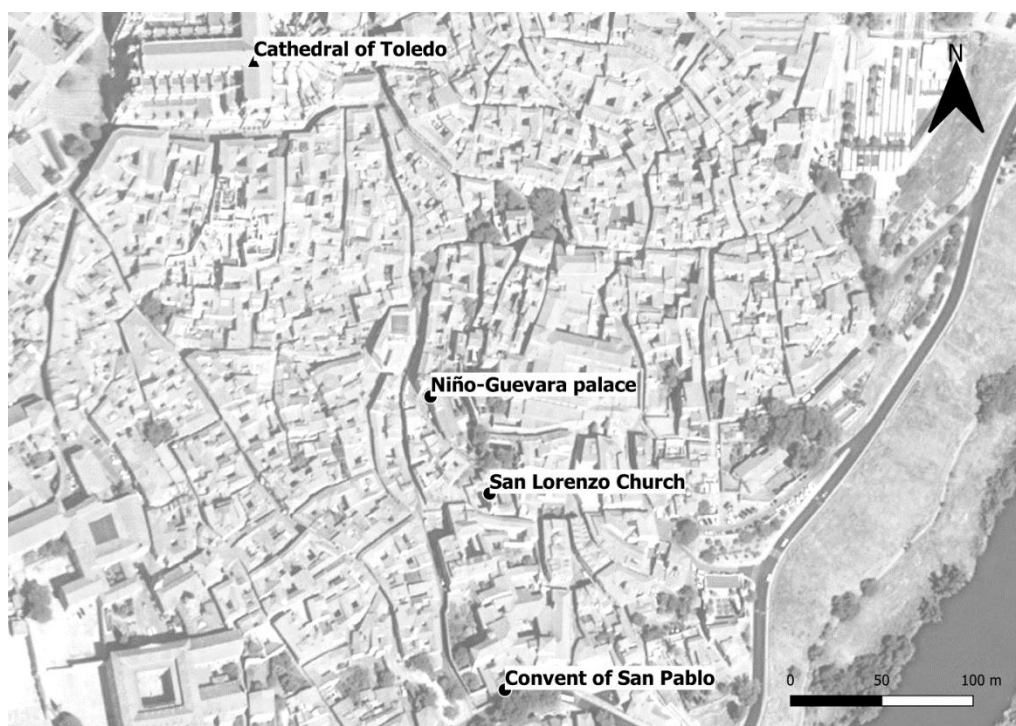
The two families were also similar in their pursuit of power at local level. However, the relatives of Rodrigo Niño were more successful than the Espinosa in reaching central positions

¹⁰²¹ Luis de Salazar y Castro, *Árboles de Costados de Gran Parte de Las Primeras Casas de Estos Reynos, Cuyos Dueños Vivían En El Año de 1683* (Madrid: Imprenta de D. Antonio Cruzado, 1795); María del Carmen Vaquero Serrano, 'Dávalos, Hernando (or Fernando)', in *Diccionario Biográfico Español* (Real Academia de la Historia, 2018), <http://dbe.rah.es/biografias/127835/hernando-davalos>.

¹⁰²² 'AGS, CME, Leg. 53, 7' (Juro file, Valladolid, n.d.); Salazar y Castro, *Árboles de Costados de Gran Parte de Las Primeras Casas de Estos Reynos, Cuyos Dueños Vivían En El Año de 1683*, 150.

in the local administration. Rodrigo Niño was *regidor* (local councillor) together with his father and his brother, all sharing the name Juan. Another brother of Rodrigo, Hernando, was president of the State Council, Bishop of Sigüenza (in the modern Guadalajara province), and Patriarch of the Indies.¹⁰²³ A daughter of Rodrigo Niño, Catalina Niño de Guevara, joined the Hieronymite convent of San Pablo, thus continuing the traditional family strategy, which two sisters of Rodrigo Niño had also followed.

The name of his daughter, Catalina Niño de Guevara, changed once she joined the convent to become Catalina de San Lorenzo. This practice is full of meaning because all the nuns lost their family names to adopt the name of their parishes of origin. In this sense, the Niño-Guevara family lived close to the church of San Lorenzo, where they wanted to establish a chapel as their property.¹⁰²⁴ Map 11 shows how close these three places were, which suggests that the family tried to obtain influence through the religious institutions that surrounded it, as well as having a strong presence on the local council.



Map 11. Palace of the Niño-Guevara family and the church of San Lorenzo and the convent of San Pablo, which they sought to control, close by the cathedral of Toledo (triangle). Source: AHN, Clero, libro 15.968.

¹⁰²³ Linda Martz, *A Network of Converso Families in Early Modern Toledo: Assimilating a Minority* (University of Michigan Press, 2003), 180–81.

¹⁰²⁴ 'AHN, Clero, Libro 15.968' (Notarial protocol, Toledo, 16 February 1558).

In their pursuit of influence in the convent of San Pablo, the Niño-Guevara ordered the construction of a chapel inside the church of the complex.¹⁰²⁵ This behaviour was common among the Castilian noble families of the period under study. The case study of the Espinosa-Herrera analysed above, for example, illustrates that they also established a chapel in the church of Santa Isabel. However, there are differences between these two spaces. Whereas the chapel in Santa Isabel was closed and separated from the main body of the church by a grille, thus turning part of the public space into a private space that demonstrated the family's might, the chapel in San Pablo was open.

According to the notarial document that Doña Teresa presented before the conventual council on 16th February 1558, the couple had already established a chapel under the vault that held the choir in the church of San Pablo. The corpse of Rodrigo Niño, who had died the previous month, was already resting in the chapel. Although the couple wanted to establish the chapel in the church of San Lorenzo, their corresponding parish, they failed in their attempt to occupy that space. They then took the chapel in San Pablo as a backup plan, which demonstrates the ongoing competition for these spaces.

The notarial document of February 1558 established that, in case their attempt to be buried in San Lorenzo failed, their corpses should be taken to San Pablo and dressed in sumptuous capes. Rodrigo Niño would carry his habit of Santiago, while Doña Teresa de Guevara would wear the cape of Immaculate Conception. These details are important for this study because they were part of a whole ritual that was intended to be public and visible to demonstrate the power of the family. The chapel, which is rather a crypt, was sealed with white marble in which the nuns had to place the family coat of arms and a text that explained who was buried there, besides the dates of their deaths.

If we look at the inner section of the church today, we can see that the Niño-Guevara occupied the most sacred and visible part of the building. The entrance to the church was in the side, leaving the choir and the crypt on the right once one entered, with the altar on the left. In order to access the pews, the parishioners had to walk alongside the crypt, so that everybody attending mass was forced to see the crypt. If that was not enough, the protocol also established that a mass for their souls had to be delivered every day. In other words, the

¹⁰²⁵ Ibid.

legacy of the Niño-Guevara family was to be remembered by the attendees both visually and spiritually through the crypt and the mass respectively.

These masses, of course, were also delivered following the instructions of the Niño-Guevara family. The descendants of the couple, especially their heir Don Juan Niño de Guevara, chose the two priests who preached the masses. These men received a stipend of 34 maravedis per day each for their services. The funds to make these payments were allocated from the interest that the couple obtained from some *juros* purchased by their relative Don Ruy López de Ávalos. These regular incomes came from *alcabalas* in Toledo on meat and fish (8,864 maravedis), firewood (3,333 maravedis and 2 *cornados*), oil (3,333 maravedis and 2 *cornados*), old clothes (2,000 maravedis), and *alcahaces* or bird cages (3,333 maravedis), which came to a total annual payment of 20,864 maravedis.¹⁰²⁶ In addition to this funding, the couple also instructed their descendants to provide 400 maravedis to pay for the expenses during the mass (e.g. wax, wine, etc). In short, the Niño-Guevara took control of the religious space and the services delivered in it.

Their strategy was, therefore, almost identical to that of the Espinosa-Herrera family in Santa Isabel. However, the similarities between both families did not end there. As has been stressed in the previous section, there was a link between these powerful groups and the financial transformation taking place in the late 1550s. This point of convergence consisted in the acquisition of *juros* that Genoese financiers, such as Costantin Gentil or Nicolao de Grimaldo, distributed among private investors and local elites to collect their savings. In the previous chapter, a sale of *juros* linked to the reimbursement of old debts to the Centurione consortium for the *asiento* of 21st May 1559 pinpoints Doña Teresa de Guevara as a client of Lucian Centurione.¹⁰²⁷ In that document, the Genoese broker requested that the royal accountant Montalban assigned a *juro* at 7.14% annual interest to Doña Teresa de Guevara. The interest amounted to 27 ducats, which means that the noblewoman paid around 373 ducats for it.¹⁰²⁸

¹⁰²⁶ Ibid.

¹⁰²⁷ Lucian Centurione to Licenciado Montalban, 'AGS, CJH, Leg. 35, 78', Letter, (17 March 1559).

¹⁰²⁸ The debt title in 'AGS, CME, Leg. 499, 2' (Juro file, n.d.).

What is indeed even more interesting about this document is that Lucian Centurione made a special petition to the accountant. The *juro* of Doña Teresa de Guevara should pass, once the shareholder died, to her daughter. Instead of providing a name, Luciano only referred to her profession: nun. In effect, the debt title was intended to provide a regular income to Catalina Niño de Guevara rather than to her mother. The family was already seeking trustworthy incomes. The cause of this behaviour seems to be the death of Rodrigo Niño, the husband of Doña Teresa de Guevara and father of Catalina, who had died in January 1558, as mentioned above.¹⁰²⁹

Notwithstanding this domestic financial operation, the letter that Centurione sent to Montalban also reveals another intriguing detail. Just after the petition for Guevara and her daughter, Centurione also requested a *juro* for the convent of San Pablo in Toledo, with the same conditions. This time, however, the *juro* generated an interest of 50 ducats, which means a payment of something over 700 ducats. In other words, the Genoese broker forwarded two debt titles with a high interest rate to the Niño-Guevara family. The previous example of Santa Isabel demonstrated that families were interested in obtaining influence inside convents, and in order to implement this strategy they provided them with regular incomes. Catalina de San Lorenzo, therefore, was a common link between the convent and the family, thus granting access to the convent of San Pablo's market in royal debt.

The role of Catalina in this institution helped decisively in the accomplishment of this financial operation, in a very similar manner to the case of Catalina de Herrera in the previous example. According to the records for the year 1559 kept by the convent's steward, Juan de Salazar, Catalina de San Lorenzo was vicar.¹⁰³⁰ Her position as second in command of the community seems to have been a reward for the large investment that the Niño-Guevara family made that year, which includes the building of the crypt. After the prioress Mencia de San Pablo, Catalina had a prominent vote and influence to decide whether investing in royal debt was beneficial for the conventual economy. When this debt title was allocated, the peace with France was still undecided. What motivated the other nuns with decision-making power to pass this investment? Apart from the personal influence that Catalina exerted

¹⁰²⁹ The year of Rodrigo Niño's death in Salazar y Castro, *Árboles de Costados de Gran Parte de Las Primeras Casas de Estos Reynos, Cuyos Dueños Vivían En El Año de 1683*, 150; 'AHN, Clero, Libro 15.968'.

¹⁰³⁰ 'AHN, Clero, Libro 16.004' (Accounting record, Toledo, 1559).

among her religious fellows, the Genoese broker Lucian Centurione had participated in the stabilisation of the new financial order of the monarchy. This operation is excellent evidence that trust had returned to the secondary debt market, and the money wheel could now spin again.

Nevertheless, the accounting records of the steward Juan de Salazar and the provincial officials of the Hieronymite Order reveal a weaker economy than that of Santa Isabel in Valladolid.¹⁰³¹ It is important to highlight the fact that there was a substantial difference between the Franciscan Order of the previous example, and the Hieronymite Order in the way they registered their accounts. Whereas the officials of the former were very thorough in their investigations about how much the convent spent and earned, the latter were significantly less inquisitive. The surviving accounts of the Hieronymite officials cover the years 1560 and 1563. Whether there were more inspections in the meanwhile has not been recorded in the sources consulted.

However, Juan de Salazar was still the conventual steward in 1563, which suggests a long-term relationship with the religious community. Friar Diego Delgadillo was the Hieronymite official in charge of keeping the convent's accounts. He recorded that the convent of San Pablo earned 359,063 maravedis and spent 375,486 in the year 1560. This means that there was an overdraft in the convent accounts worth 16,423 maravedis. In other words, the religious institution was in deficit the following year after the acquisition of the *juro* brokered by Lucian Centurione. Although this situation was bad, it was much better than in 1559. Chart 20 illustrates that the convent accounts showed another negative balance of 50,397 maravedis in 1559, which means an improvement of almost 35,000 maravedis.¹⁰³²

¹⁰³¹ Ibid.; 'AHN, Clero, Libro 16.024' (Accounting record, Toledo, 1563).

¹⁰³² The accounts of the convent steward for 1559 have not been found. However, the consistency in the data until 1563 proves that these budgets did not vary too much from one year to another.

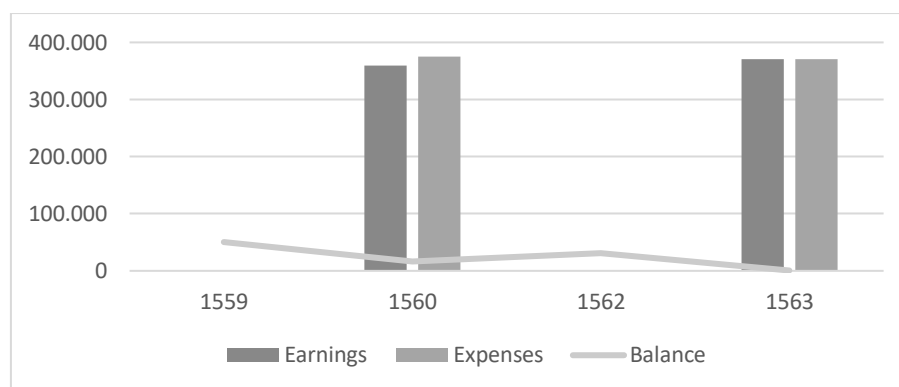


Chart 20. Steward's accounts for San Pablo in 1559, 1560, and 1563 (in maravedis). Sources: AHN, Clero, Libro 16.004 and AHN, Clero, Libro 16.024.

Based on the records of the steward Juan de Salazar, the accounts recorded in January 1564 for the year 1563 illustrate a surprising improvement in the convent's economy based on a reduction in the shortfall to 49,815 maravedis (circa 133 ducats) since 1559.¹⁰³³ The convent's earnings increased from one year to the next, especially from the *juros* that the monastery possessed. For example, while Salazar declared having collected 63,000 maravedis from them in 1560, three years later he recorded that he had received 81,750. In effect, the difference between these two sums makes 18,750 maravedis, the exact amount of interest that the convent had acquired in 1559 through Lucian Centurione. Further research is still necessary to confirm whether that interest corresponds to the *juro* of 1559, especially regarding the royal income that backed it and the records in the royal accountants about the payments of these *juros*. In this sense, the convent increased its budget thanks to the acquisition of royal debt.

Notwithstanding the importance of these debt titles in the economy of the convent, it is noteworthy that this religious institution also received large tributes from the city of Toledo (74,813 maravedis) and Villarrobleto (116,407 maravedis) in 1563. In other words, the investment in *juros* was not necessarily the main source of income of the community. The strategy of this female religious institution was indeed based on diversifying risks. In this sense, we can observe similarities between the behaviours of the Genoese lenders and their Castilian clients. The religious community did, in fact, what other financial institutions of their time had

¹⁰³³ From the accounts of 1559, taken in 1560, to those of 1563, taken in 1564, there is an average reduction of 12,454 maravedis per year. From 1560 to 1563, however, there was a reduction in the shortfall of 15,841 maravedis. This means a sharp decrease in the overdraft from 1559 to 1560, which is estimated at 34,556 maravedis. In other words, the overdraft was reduced more than twice its average value in just one year, which suggests access to new incomes or lower expenses charged by the butler Salazar. See 'AHN, Clero, Libro 16.024'.

been practising for a long time since before the financial transformation of the Hispanic Monarchy. The presence of perpetual tributes in these accounts is evidence for the long-term existence of this strategy.

Apart from the steward's accounts, which recorded all the financial expenses and incomes of the community, the convent also had two nuns in charge of the domestic economy. These accounts reveal that 1563 was an exceptional year for the institution in financial terms. New nuns, together with their correspondent dowries, joined the convent. Indeed, these dowries were the largest income that San Pablo ever received under a single item from both the accounts of the steward and those of the *arqueras*.¹⁰³⁴

Chart 21 illustrates how these earnings were distributed. Under the concept of 'general incomes' are the moneys that Juan de Salazar gave to the nuns, using the remaining funds to pay the shortfall of 1562, his annual salary of 13,000 maravedis, and other expenses. It is interesting, indeed, that it was not Salazar who administered the dowries of the new nuns, but the *arqueras* of the convent. Bearing in mind that the steward administered all the financial operations outside of the convent, especially the collection of tributes in other towns, the dowries were surprisingly collected in the convent by the convent's treasurers.

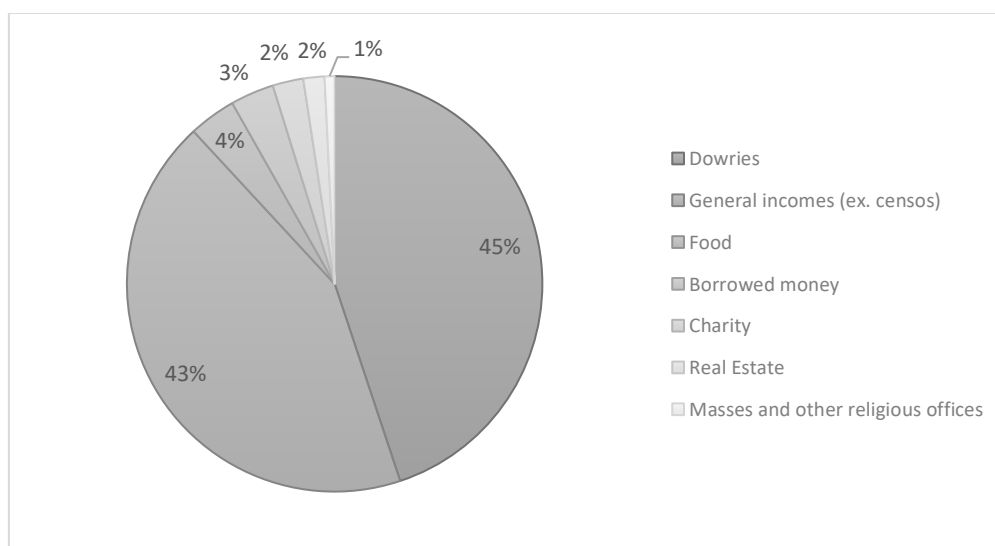
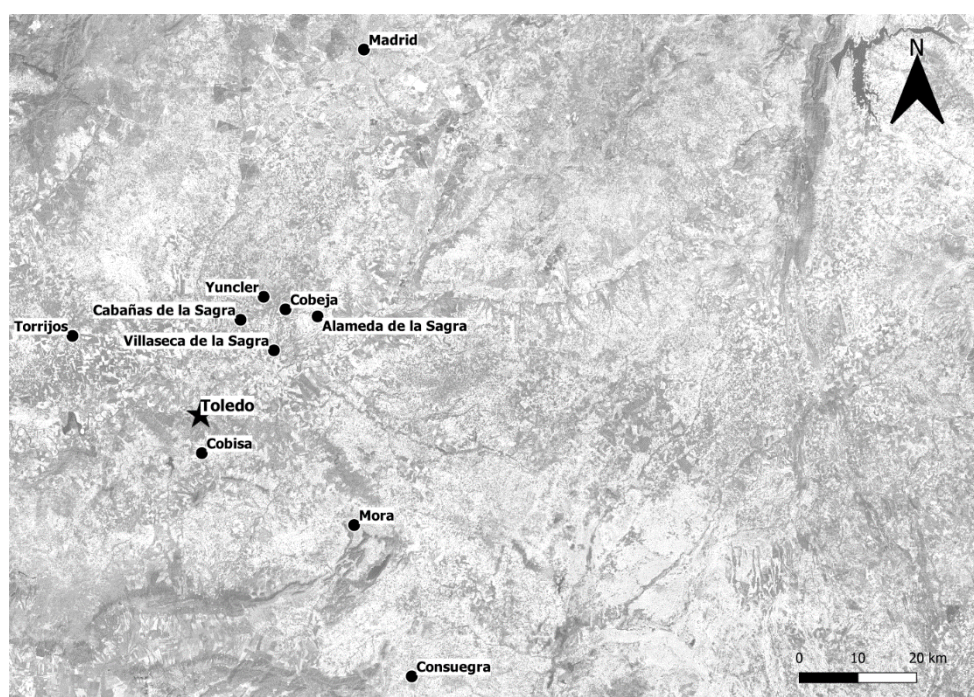


Chart 21. Earnings in 1563 of San Pablo declared by the conventual attorney. Source: AHN, Clero, Libro 16.024

¹⁰³⁴ Although abbreviated in the documents consulted, the nuns-treasurers of the community were called '*arqueras*', which derives from '*arca*' (treasure chest).

This separation of duties between the nuns and their steward, especially regarding the dowries, draws attention to the evolution of the conventual economy over the long term. Tributes, not *juros*, were the community's largest income, paid either in cash or in kind (including hens and wheat), which the convent collected from Toledo and its surrounding towns. Map 12 closes this section by illustrating how their economy expanded to multiple regions of this area in 1569, apart from the additional incomes that other convents and churches in Toledo paid to the nuns of San Pablo (e.g. San Lorenzo, San Lucas, San Miguel, Santiago del Arrabal, San Juan Bautista, Santo Tomé, San Cebrián or modern San Cipriano).



Map 12. Towns from where the convent of San Pablo had financial assets in 1569. Source: AHN, Clero, libro 16.005

7.4. Conclusions:

This last chapter has analysed how royal long-term debt allocated on the *nuevo derecho de lanas* became a financial framework for bondholders, brokers, and non-state agents such as merchants. The intermingling of their private agendas resulted in the consolidation of a model of funded debt that was reliable in the long run and so could help fund local economies through religious institutions, which employed strategies of risk diversification such as investing in royal debt to complement their portfolio and enlarge their solvency and financial services to local entrepreneurs. In short, this chapter has stressed the heterogenous group of people that contributed to the consolidation of the early modern state by pursuing private interests.

The first section of the chapter has provided an analysis of the social procedures that financial brokerage involved. The use of private correspondence and accounting records allowed us to establish a connection between Nicolao de Grimaldo, Francisco de Castro Mújica, and the duchess Doña Eleonora di Toledo. The sale of *juros* earmarked to the new tax on wool exports in Castile was the starting point for these three actors to become interconnected. Each of them pursued the collection of regular incomes: Grimaldo obtained the reimbursement of his old debts from the sale of the *juro*; Castro Mújica became a service provider to the duchess of Florence, which increased his prestige among his peers and led to his appointment as head of the *Consulado de Burgos*; and the duchess obtained a regular income, the principal of which served to help a political ally at a time of military and financial need. Notwithstanding the convergence of their private agendas, these actors needed the tax to be reliable.

The second section deals with this problem through an analysis of the royal income and how it was profitable enough to allocate bonds of debt on it. The agency of the Genoese lending community was decisive once again. Nicolao de Grimaldo and Costantin Gentil, the Genoese financiers who had a direct influence on the transformation of the financial system of the monarchy, began to fund Castilian wool exporters to facilitate their trade. Although the use of Genoese financial services increased the transaction costs of the merchant community, the accounting records of the fiscal collection demonstrate an increase in the burden collected throughout the years, despite the sporadic downfalls caused by military conflicts and the fraudulent transactions of some merchants that resulted in a change of fiscal policy in the 1560s.

The third section of the chapter is the culmination of all the interconnections that were promoted by Genoese and Castilian brokerage. The research into two female convents in Valladolid and Toledo shows that their investments in royal long-term debt through the intermediation of Genoese financiers was part of an even older strategy of risk diversification. The issuance of *censos* and their competition for assets of better quality in their local environment illustrate how these convents were an essential element in advancing economic development. The role of women, whose families used them to enlarge their influence in the region through their promotion in the conventual hierarchies and the administration of the convents is another key point in this section. Rather than passive actors, female convents

were dynamic institutions whose contribution to the early modern state at local level is undeniable.

Finally, in general terms this chapter illustrates the capacity of informal institutions, such as business networks, including that of the Genoese lending community, to contribute to the consolidation of large early modern states through offering their financial services and social capital. The agency of formal institutions, such as the *Factoría General* or the administrators of the *nuevo derecho*, whose instructions involved coercive means, consisted in legally framing the actions and operations of the informal institutions that demanded their services. In other words, informal institutions interconnected state builders with the central administration and the private sphere, thus helping to consolidate the early modern state.

Conclusions

This thesis has analysed the process of state consolidation in the early modern period from a joint perspective that amalgamates the agencies of state officials, lending communities, and local elites in the Hispanic Monarchy during the mid-sixteenth century. Each of these groups of actors have been analysed in their own context, which has enabled us to show the convergence of individual and family interests present in the process. Their agendas have been examined to test how central administrations could mobilise public and private resources effectively in a context of war and financial uncertainty. Although the outcomes of this research have already been explained through the three parts of this thesis, a final analysis that brings the findings retrospectively together is necessary to understand the complexity of the state-formation process in the early modern period.

Early modern central administrations found too costly or simply unmanageable to rule over dispersed territories in the long-term. The negotiation with representative institutions of each region was not enough to satisfy the needs of central administrations for additional funds during the new large-scale military conflicts. The mobilisation of private resources was, therefore, imperative. However, the administrative and social structures of early modern states differ from our current conception, which is based on a strong, bureaucratic national state able to enforce the mobilisation of private resources through public institutions. The example of the Hispanic Monarchy in the mid-sixteenth century demonstrates that another model is possible.

The resort to informal institutions, such as financial and merchant communities, demonstrates the viability of the early modern alternative for solving the problem of bureaucratic inefficiency in the long term. More specifically, the Hispanic Monarchy created formal institutions like the *Factoría General*, which incorporated members of informal institutions from the main lending communities operating in the monarchy (German-Flemish: Schetz; Italian: Cattaneo; and Castilian: López del Campo and López Gallo). The participation of these former members of informal institutions in the *Factoría General* developed patterns of internal competition and mechanisms of reputation more typical of informal institutions than state-regulated organisations. In this sense, early modern formal and informal institutions were *de facto* indistinguishable but not *de jure*. The legal instructions sanctioned

by the royal authority regulated the behaviour and powers of the *factores* and, therefore, also their interactions with other social groups.

The hiring of the services of the Genoese lending community to mobilise public and private resources alike among distant regions, administrations, and individuals is an illustrative example of this institutional interaction. The efficiency of the financial services that private financiers provided to the Hispanic Monarchy was based on a joint organisational model that consisted of bonds of kinship and business partnerships. Furthermore, the enforcement of the contracts or *asientos* that these financiers signed, either with the *Factoría General* or local elites, was guaranteed by reputation mechanisms like cheat-the-cheater and syndicated lending. As a result of the convergence of these institutional elements, the Genoese lending community can be described as a coalition as its social organisation, rather than state-issued documents, regulated the behaviour of their members.

The analysis of the two case studies of Costantin Gentil and Nicolao de Grimaldo in the second part of this thesis demonstrates that competition was allowed, although disloyalty to the community was actively denounced as part of the cheat-the-cheater mechanism of internal protection among the members of the coalition. However, the research shows that no penalty was imposed on Grimaldo by his community for the better financial conditions he obtained from the *Factoría General* after the debt consolidation in June 1557. Instead, the main heads of the coalition, such as Adam Centurione, requested identical conditions for their own organisations. The reaction against the unbalanced regulation of the financial market was, therefore, directed at the central administrations rather than at the member of the coalition, to avoid undermining the group.

The consolidation of royal short-term debt analysed in this thesis changed the financial conditions in favour of the Genoese lending community. The decision was the result of a financial policy drafted by former members of informal institutions in the *Factoría General* and enacted by the highest authority in the monarchy, though the effective power to enforce it lay with the regency of Castile. Although the initial plan consisted of issuing *juros* at 5% interest to financiers in exchange for their debts prior to 1557, the military constraints in Europe obliged an increase in the interest of those debt bonds to restore the financial services of Genoese financiers. The improvement in the quality of the debt titles issued first benefited Nicolao de Grimaldo, who was entitled to trade them and obtain liquidity from their sale

through the *Factoría General*. The new strategy, which was also planned by the *factor general* in collaboration with the Genoese lending community through the new *asientos* of May 1558, announced the system that would prevail for over a century.

The coordinated action of the two institutions to distribute the improved *juros* allowed the mobilisation of private resources at a scale and dynamism never seen before in the monarchy. Debt consolidations, therefore, contributed to the economic integration and development of the Hispanic Monarchy since the distribution of the debt titles allowed local elites to obtain regular incomes that generated long-term interest, which they could re-invest in the circuits of local economies. Nevertheless, this financial development, which allowed the monarch to enlarge his borrowing capacity while local elites pursued their private agendas, was based on a model of informal institutions that was contested by its counterpart. In effect, the complaints that formal institutions like the Castilian *cortes* raised against the enlargement of the royal income ceiling, recently studied by Álvarez Nogal and Chamley, simply reflected the conflict between a model of economic and financial development based on formal institutions and another on informal institutions. In other words, the new financial system apparently removed an important bargaining tool from the representative institutions and promoted the use of private circuits of credit between broker and investor.

The third part of this thesis has illustrated the complexity of the process in order to succeed. The cooperation between Genoese lenders to distribute *juros* among their fellows and clients reflects their organisational model of coalition. Nevertheless, since a large share of the *juros* sold to private investors was allocated to *alcabalas*, a royal income backed by representative institutions at local level, defining this credit circuit as private is problematic. Apart from the ability of the borrower to employ public funds, lenders could also raise them, such as the Council of Xuanques. The new financial system was a mixture of public and private credit circuits because it depended on formal and informal institutions respectively. The financial reform, therefore, merged two models for mobilising resources, which enlarged the borrowing capacity of the sovereign and offered local economies an alternative way of participating in the state-building process, aside from the traditional fiscal burden. Instead of being passive members of the system that occasionally intervened in royal policies, local economies became active and visible actors in the financial market.

The last chapter examines the reality of these local investors from their perspective in relation to *juros* allocated to the *nuevo derecho de lanas*. The difference between *alcabalas* and the *nuevo derecho* in terms of their reliability in relation to the type of institutions backing them is remarkable. Whereas the former was backed by local councils, the latter depended on the ability of the royal administration to collect the new duty. This thesis has shown a preference for *alcabalas* rather than *nuevo derecho* among the bondholders studied, reflecting the fact that investors trusted more in the fiscal capacity of formal institutions at a local level than a joint action between formal and informal institutions on a regional scale. The agency of the Genoese lending community in support of Castilian wool exporters financially was not enough to compete with the ability of councils to transmit trust among investors, notwithstanding those financiers who co-organised the new financial system. In this sense, this doctoral thesis has demonstrated that informal institutions were the main promoters of economic development beyond local markets in the early modern period, challenging traditional concepts in the literature and expanding our understanding of the role of lending communities in state consolidation.

After this thorough investigation, it is now possible to provide some answers to the questions posed at the introduction of the thesis. The first question, which considered how it was possible to restore trust after financial shocks, has no single response. Trust was literally reconstructed through the agency of multiple institutions. Some of them were present even before the suspension of payments, such as the *Factoría General* and the Genoese lending community. However, the recovery of trust was the result of the convergence of public and private agendas at regional and local level triggered by conflict and intermediated by informal institutions.

Regarding the second research question, which sought to define the behaviour of the clients of lending communities in the early modern period, it is possible to argue that they were the central piece of the process. Without their private agendas, no transaction could be possible either upwards to the monarch or downwards to lower levels of risk diversification. Their active role as investors or brokers at the local level allowed interregional organisations like the Centurione consortium or the business group of Nicolao de Grimaldo to channel the private resources of local economies into royal enterprises.

Finally, the third research question contemplated the role of these local actors in the process of state consolidation in the early modern period. From the local administrators of the *nuevo derecho* to the nuns of Santa Isabel and San Pablo, taking in the merchants of Burgos, all of whom participated in the consolidation of the early modern state in the Hispanic Monarchy. These non-state state builders had a direct role in the political, social, economic, and cultural process. Their private agendas intermingled with the policies of high institutions, either formal or informal, and the actions of high and medium-ranking officials in the royal administration. Therefore, the state consisted of the people and institutions that converged over time and through their interests to pursue a shared goal. With these few words, and many acknowledgements, this doctoral thesis will hopefully open new questions about the importance of Genoese relational capital in the early reign of Philip II.

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